Fiscal Year 2013
Agency Financial Report

DOE/CF-0093

U.S. DEPARTMENT OF ENERGY

Foreword

The Reports Consolidation Act of 2000 authorizes Federal agencies, with the Office of Management and Budget's (OMB) concurrence, to consolidate various reports to provide performance, financial and related information in a more meaningful and useful format. For Fiscal Year 2013, the Department of Energy (Department or DOE), has produced an *Agency Financial Report*, and will provide an *Annual Performance Report* and a *Summary of Performance and Financial Information,* pursuant to OMB Circular A-136. They will be available at the website below, as each report is completed. This reporting approach simplifies and streamlines the performance presentations.

Agency Financial Report (AFR) - The AFR is organized by three major sections.

- **Management's Discussion and Analysis** provides executive-level information on the Department's history, mission, organization, Secretarial priorities, analysis of financial statements, systems, controls and legal compliance and other management priorities facing the Department.
- **Financial Results** provides a Message from the Deputy Chief Financial Officer, the Department's consolidated and combined financial statements and the Auditors' Report.
- **Other Information** provides the Inspector General's Statement of Management Challenges and other statutory reporting.

Annual Performance Report (APR) [will be available February 2014] The APR will be produced in conjunction with the Congressional Budget Justifications and will provide the detailed performance information and descriptions of results by each performance measure.

Summary of Performance & Financial Information [will be available February 2014] This document will highlight the most important performance and financial information from the APR and AFR.

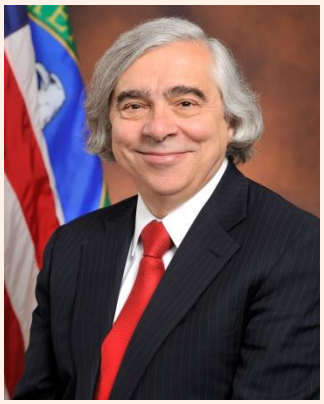
These three reports meet the following reporting requirements:

- Reports Consolidation Act of 2000 requires the consolidated reporting of performance, financial and related information in a Performance and Accountability Report (PAR).
- Federal Financial Management Improvement Act (FFMIA) of 1996 requires an assessment of the agency's financial systems for adherence to Government-wide requirements.
- Government Management Reform Act (GMRA) of 1994 requires agency audited financial statements.
- Federal Managers' Financial Integrity Act (FMFIA) of 1982 requires a report on the status of internal controls and the agency's most serious problems.
- Inspector General (IG) Act of 1978 (Amended) requires information on management actions in response to IG audits.
- Department of Energy Organization Act of 1977 requires an annual report on agency activities.

All three reports will be available at www.energy.gov/about-us/budget-performance

Table of Contents

Message from the Secretary



I am pleased to present the U.S. Department of Energy's (DOE) *Fiscal Year 2013 Agency Financial Report*. It provides key financial and performance information that demonstrates our commitment to ensuring America's security and prosperity by addressing energy, environmental, and nuclear challenges through transformative science and technology solutions. Our *Fiscal Year 2013 Annual Performance Report* will be produced as a complement to this report in February 2014. These reports will be available at Energy.gov.

From our efforts to find affordable and clean sources of energy, to enhancing the security of our nuclear stockpile, to cleaning up the legacy of the Cold War, and to advancing basic science, the mission of the Energy Department could not be more urgent or important. As global climate change threatens our nation's prosperity, environment, and security for future generations, DOE must continue to support a robust research and development portfolio of low-carbon options and key enablers: efficiency, renewables, nuclear, carbon capture and sequestration, energy storage, and smart and resilient electrical grids.

The DOE May 2011 Strategic Plan established four strategic goals: (1) **transform our energy systems** through catalyzing the timely, material, and efficient transformation of the nation's energy system and securing U.S. leadership in clean energy technologies; (2) **promote the science and engineering enterprise** by maintaining a vibrant U.S. effort in science and engineering as a cornerstone of our economic prosperity, with clear leadership in strategic areas; (3) **secure our nation** by enhancing nuclear security through defense, nonproliferation, and environmental efforts; and (4) **achieve management and operational excellence** by establishing an operational and adaptable framework that combines the best wisdom of all Department stakeholders to maximize mission success.

Over the last year, we have made great progress across all of these mission areas while managing our resources efficiently during a period of declining resources. Investments in energy transformation have resulted in testing of greenhouse gas storage, the first grid-connected offshore wind prototype, cost competitive advances in cellulosic ethanol, the first commercial geothermal system to deliver power to the electric grid, improved efficiency and cyber security for the electric grid, new appliance efficiency standards, and the first full-scale nuclear reactor simulation. Basic research in the science field yielded several results, such as the discovery of a powerful new microbe, major improvements to organic electronics, high-resolution molecular images, 3D printed batteries, and improved efficiency in thermoelectric devices. National security accomplishments include the elimination of highly enriched uranium from several foreign countries, the removal of a radiological device from a university, and a new method for analyzing airborne radiological data. Investments in environmental

management achieved great progress in remediation of contamination at several post Cold-War sites. Though DOE has made substantial progress in cleaning up this legacy waste, challenges remain with long-term, expensive, and complex projects in several states.

The independent public accounting firm KPMG LLP conducted an audit of the Energy Department's fiscal year 2013 financial statements contained in this report and issued an unmodified audit opinion. Based on internal evaluations, I can provide reasonable assurance that the financial and performance information contained in this report is complete and reliable and accurately describes the results achieved by the Energy Department.

Ernest J. Moniz
December 10, 2013

Management's Discussion and Analysis

The Department is investing in better solar forecasting techniques to improve the reliability and stability of power plants during periods of cloud cover. Photo by Dennis Schroeder, NREL.

Agency Highlights

MISSION

To ensure America's security and prosperity by addressing its energy, environmental, and nuclear challenges through transformative science and technology solutions.

MANAGEMENT PRINCIPLES

1. Our mission is vital and urgent.
2. Science and technology lie at the heart of our mission.
3. We will treat our people as our greatest asset.
4. We will pursue our mission in a manner that is safe, secure, legally and ethically sound, and fiscally responsible.
5. We will manage risk in fulfilling our mission.
6. We will apply validated standards and rigorous peer review.
7. We will succeed only through teamwork and continuous improvement.

STRATEGIC GOALS ESTABLISHED IN MAY 2011 STRATEGIC PLAN

Goal 1: Transform Our Energy Systems

- Deploy the technologies we have
- Discover the new solutions we need
- Lead the national conversation on energy

Goal 2: The Science and Engineering Enterprise

- Extend our knowledge of the natural world
- Deliver new technologies to advance our mission
- Sustain a world-leading technical workforce

Goal 3: Secure Our Nation

- Support the U.S. nuclear stockpile and future military needs
- Reduce global nuclear dangers
- Apply our capabilities for other critical national security missions
- Support responsible civilian nuclear power development and fuel cycle management
- Complete environmental remediation of our legacy and active sites

Goal 4: Management and Operational Excellence

- Achieve operational and technical excellence
- Implement a performance-based culture

History

The Department has one of the richest and most diverse histories in the Federal Government, with its lineage tracing back to the Manhattan Project and the race to develop the atomic bomb during World War II. Following that war, Congress created the Atomic Energy Commission (Commission) in 1946 to oversee the sprawling nuclear scientific and industrial complex supporting the Manhattan Project and to maintain civilian government control over atomic research and development (R&D). During the early Cold War years, the Commission focused on designing and producing nuclear weapons and developing nuclear reactors for naval propulsion. The creation of the Atomic Energy Commission ended the exclusive government use of the atom and began the growth of the commercial nuclear power industry, with the Commission having authority to regulate the new industry.

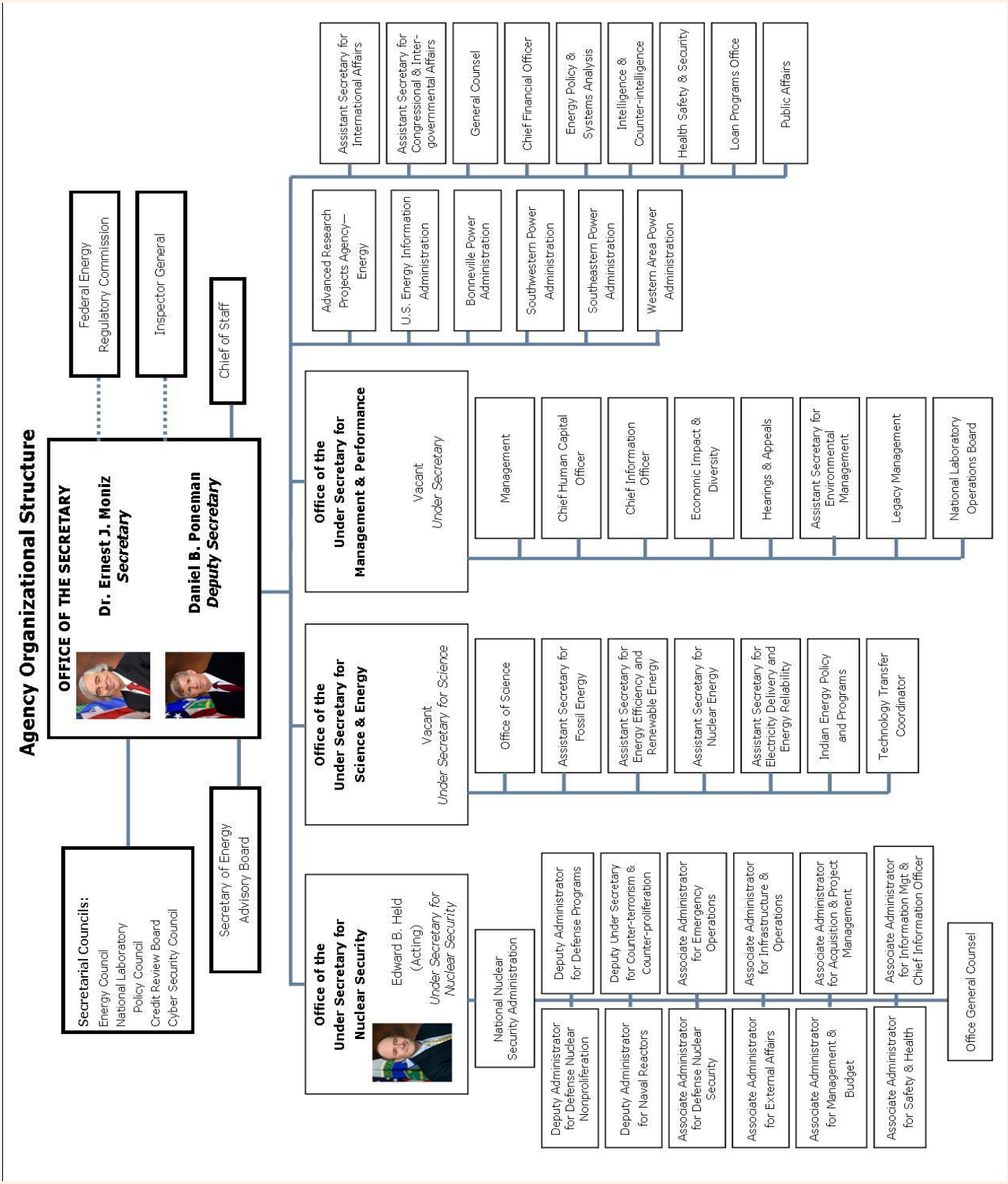
In response to changing needs and an extended energy crisis, the Congress passed the Department of Energy Organization Act in 1977, creating the Department of Energy. That legislation brought together for the first time, not only most of the government's energy programs, but also science and technology programs and defense responsibilities that included the design, construction and testing of nuclear weapons. The Department provided the framework for a comprehensive and balanced national energy plan by coordinating and administering the energy functions of the Federal Government. The Department undertook responsibility for long-term, high-risk R&D of energy technology, Federal power marketing, some energy conservation activities, the nuclear weapons programs, some energy regulatory programs and a central energy data collection and analysis program.

Scientists at Los Alamos National Laboratory work on Scyllac, one of the largest machines used for magnetic fusion experiments. Photo circa 1974.

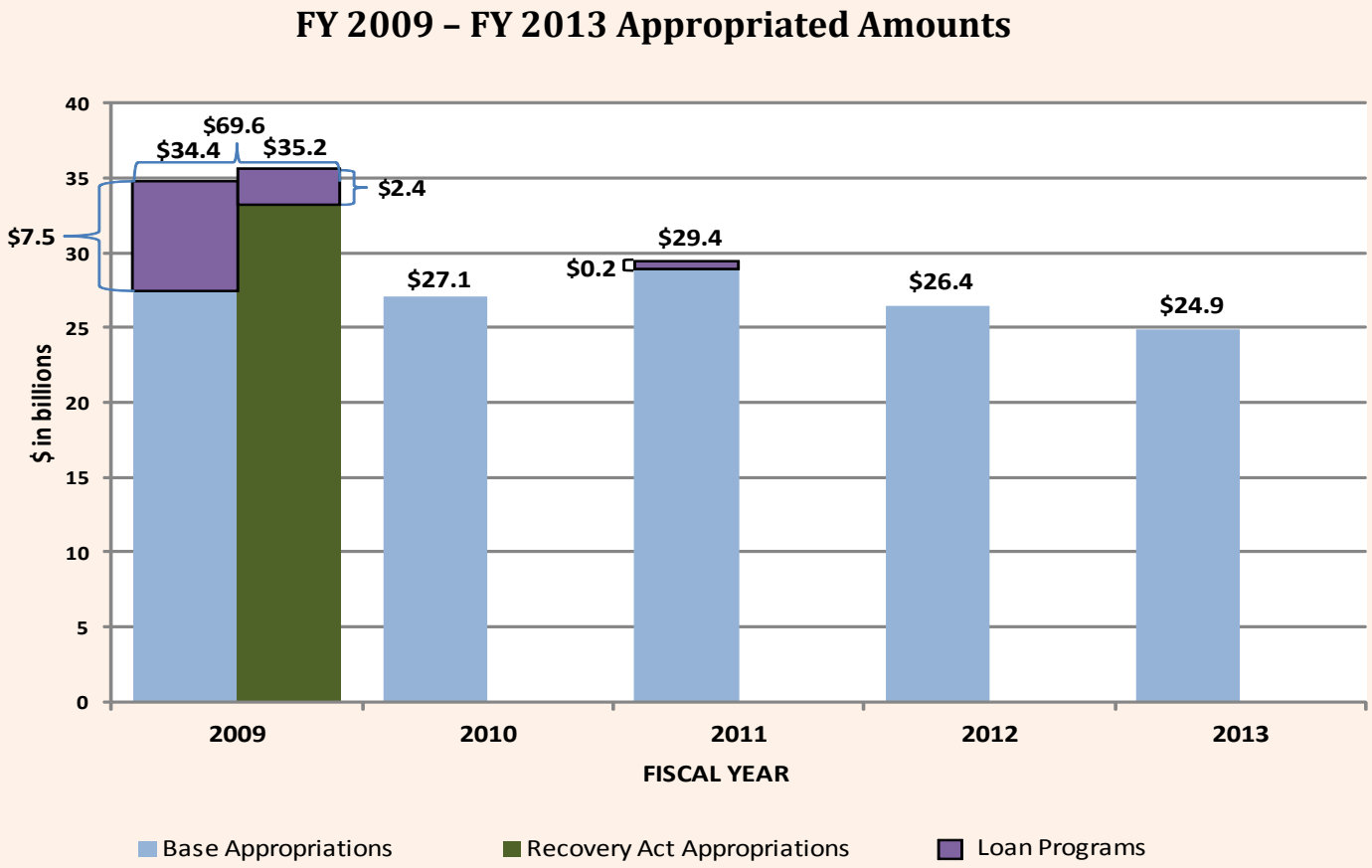
Over its history, the Department has shifted its emphasis and focus as the energy and security needs of the Nation have changed. On February 17, 2009, the Department was significantly impacted by President Obama signing into law the American Recovery and Reinvestment Act of 2009 (Recovery Act or ARRA). The Recovery Act provided an additional $35.2 billion of funding -- more than double the Department's annual appropriation -- for the acceleration of a number of critical commitments in the Department's missions and activities.

In the 1950s, one of the largest uranium deposits in the U.S. was found near Moab, Utah. The Department began cleaning up the uranium mill tailings from the Moab Site in April 2009, using steel containers to transport over six million tons (out of a total of 16 million tons) of tailings for safe disposal near Crescent Junction, Utah. In this May 2012 photo, one of the trains carrying uranium mill tailings is shown on the Union Pacific Railroad in Utah.

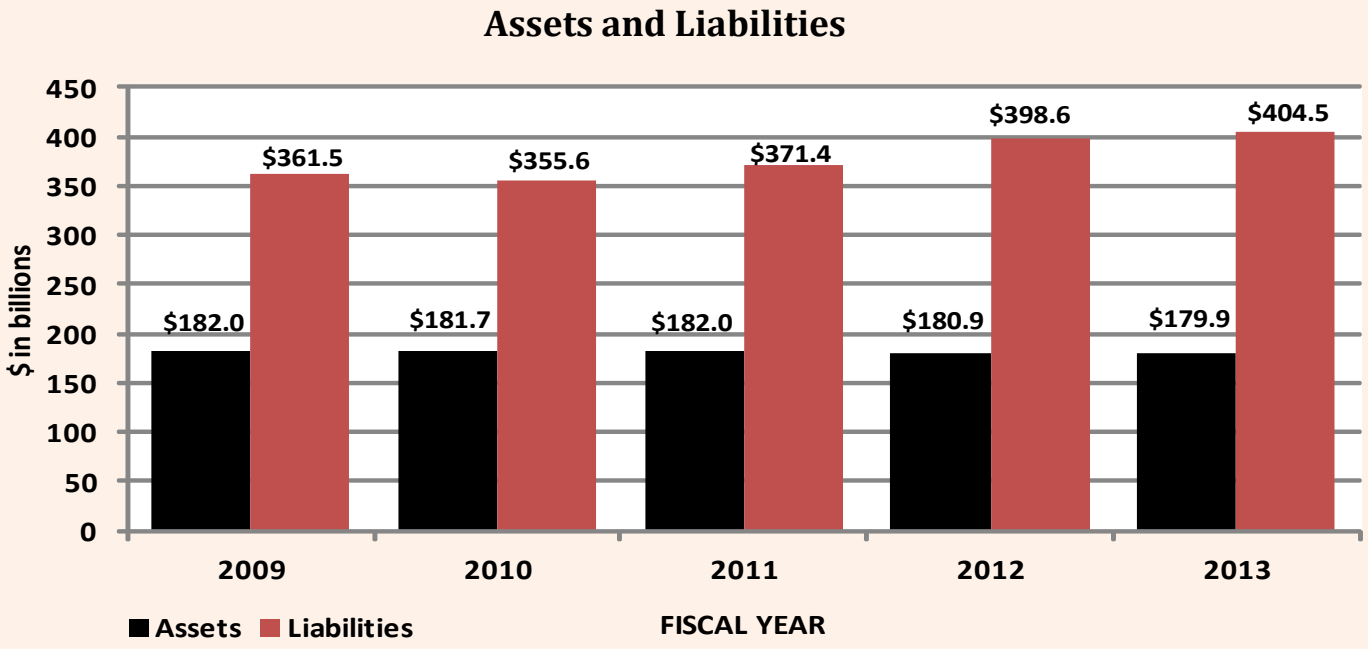
Secretary Ernest Moniz visited the Consortium for the Advanced Simulation of Light Water Reactors. Photo courtesy of the Oak Ridge National Laboratory.


Agency Organizational Structure
OFFICE OF THE SECRETARY
Dr. Ernest J. Moniz
Secretary
Daniel B. Poneman
Deputy Secretary
Federal Energy Regulatory Commission
Inspector General
Chief of Staff
Secretarial Councils:
Energy Council
National Laboratory Policy Council
Credit Review Board
Cyber Security Council
Secretary of Energy Advisory Board
Office of the Under Secretary for Nuclear Security
Edward B. Held (Acting)
Under Secretary for Nuclear Security
Office of the Under Secretary for Science & Energy
Vacant
Under Secretary for Science
Office of the Under Secretary for Management & Performance
Vacant
Under Secretary
Assistant Secretary for International Affairs
Assistant Secretary for Congressional & Inter-governmental Affairs
General Counsel
Chief Financial Officer
Energy Policy & Systems Analysis
Intelligence & Counter-intelligence
Health Safety & Security
Loan Programs Office
Public Affairs
Advanced Research Projects Agency—Energy
U.S. Energy Information Administration
Bonneville Power Administration
Southwestern Power Administration
Southeastern Power Administration
Western Area Power Administration
Management
Chief Human Capital Officer
Chief Information Officer
Economic Impact & Diversity
Hearings & Appeals
Assistant Secretary for Environmental Management
Legacy Management
National Laboratory Operations Board
Office of Science
Assistant Secretary for Fossil Energy
Assistant Secretary for Energy Efficiency and Renewable Energy
Assistant Secretary for Nuclear Energy
Assistant Secretary for Electricity Delivery and Energy Reliability
Indian Energy Policy and Programs
Technology Transfer Coordinator
National Nuclear Security Administration
Deputy Administrator for Defense Programs
Deputy Under Secretary for Counter-terrorism & Counter-proliferation
Associate Administrator for Emergency Operations
Associate Administrator for Infrastructure & Operations
Associate Administrator for Acquisition & Project Management
Associate Administrator for Information Mgt & Chief Information Officer
Deputy Administrator for Defense Nonproliferation
Deputy Administrator for Naval Reactors
Associate Administrator for Defense Nuclear Security
Associate Administrator for External Affairs
Associate Administrator for Management & Budget
Associate Administrator for Safety & Health
Office General Counsel

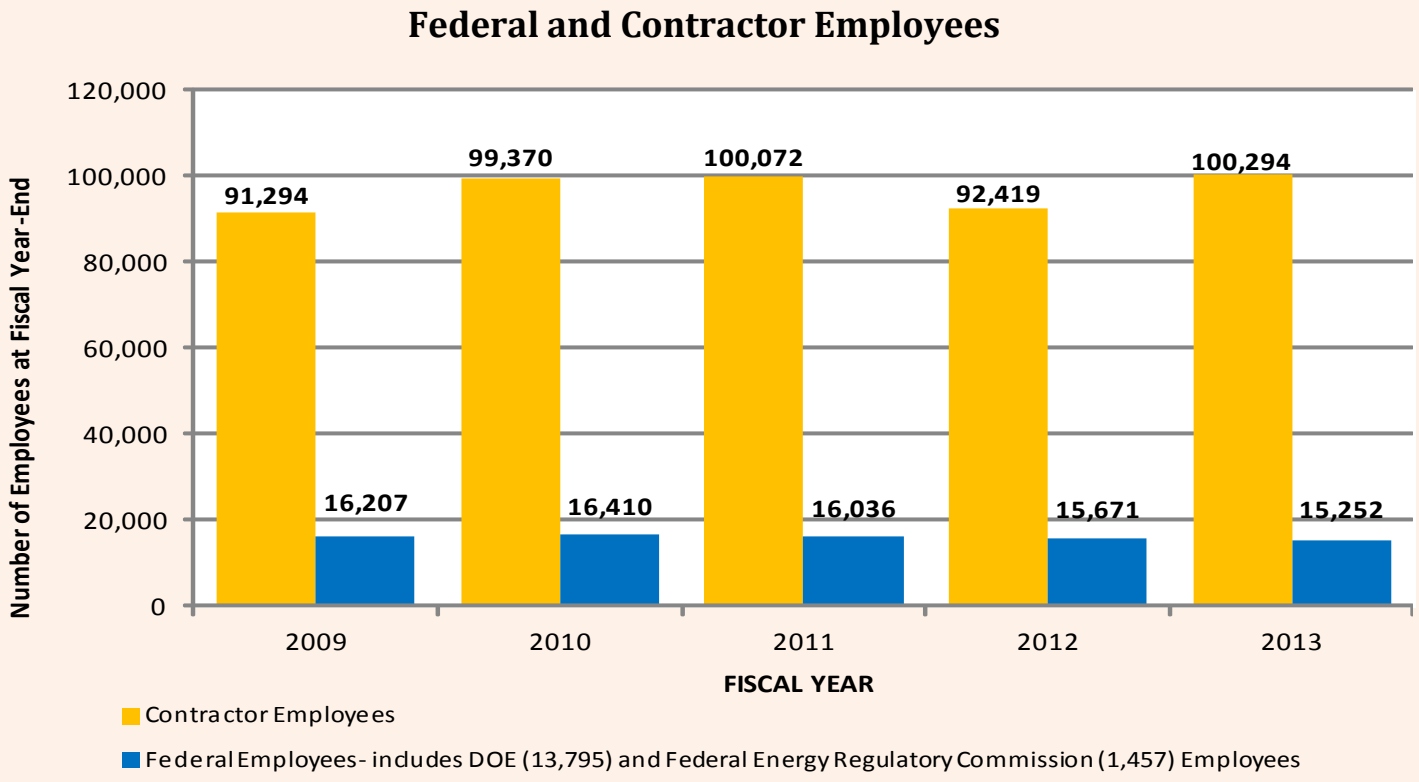
Financial Resources



Note: Appropriated amounts are net of adjustments and include appropriation transfers, reductions and appropriations temporarily not available. (Original $38.7 billion of Recovery Act Appropriations was later reduced by $3.5 billion in transfers and rescissions. Amounts do not include the Western Area and Bonneville Power Administrations' borrowing authority and credit reform financing accounts.)



Human Capital Resources



Financial Management Report Card

COMPLIANCE YES	COMPLIANCE NO	REQUIREMENT OR INITIATIVE	SUPPORTING INDICATORS (see page references for more detail)
☑		Government Management Reform Act –Financial Statement Audit	Unmodified Audit Opinion (pages 106-115 and page 121)
☑	☑	Federal Managers' Financial Integrity Act – Internal Controls (Section II) Financial Systems (Section IV)	Two Material Weakness (Section II) (pages 25-26; pages 106-115; and page 121). Financial Systems generally conform to (Section IV) requirements and no FISMA significant deficiencies identified (pages 25-26 and page 121)
☑		OMB Circular A-123, Appendix A	No Material Weaknesses (pages 25-26 and page 121)
☑		Federal Financial Management Improvement Act	Substantially comply with Federal financial management system requirements (pages 25-26 and page 121)
☑		Federal Information Security Management Act (FISMA)	Substantially comply with FISMA requirements as evidenced by annual FISMA reporting data
☑		Improper Payments Information Act, as amended by the Improper Payments Elimination & Recovery Act	<1% overall improper payment rate and not susceptible to significant improper payments (pages 123-124)

Performance Summary

The tables in this section will be updated with FY 2013 data in the Department's *FY 2013 Annual Performance Report* available in February 2014. Additional performance results can be obtained at http://goals.performance.gov/agency/doe.

STRATEGIC GOAL*	ACTIVITY	Fiscal Year 2011 Performance			Fiscal Year 2012 Performance		
		Targets Met	Targets Not Met	Results Unknown	Targets Met	Targets Not Met	Results Unknown
Strategic Goal 1:	*Transform Our Energy Systems*						
	Electricity Delivery & Energy Reliability	8			7	1	
	Western Area Power Administration	3	1		3		
	Bonneville Power Administration	3			3		
	Southeastern Power Administration	2			2		
	Southwestern Power Administration	4			4		
	Solar Energy	5			4		
	Wind Energy	3	1		4		
	Geothermal Technologies		1		1		
	Water Power	1	1		1	1	
	Biomass & Biorefinery Systems R&D	4			4		
	Hydrogen & Fuel Cell Technologies	2			2		
	Vehicle Technologies	6			7		
	Industrial Technologies	2					
	Advanced Manufacturing				3	1	
	Building Technologies	4			8	1	
	Federal Energy Management Program		1			1	
	Weatherization & Intergovernmental Activities	1			5		
	State Energy Programs	1					
	Fossil Energy	8					
	Clean Coal				4		
	Petroleum Reserves	3			2	1	
	New Nuclear Generation Technologies	5			4		
	National Nuclear Infrastructure	2	1		2	1	
	Energy Information Administration	2			2		
	Loan Programs	4	2		4	1	
	Advanced Research Projects Agency-Energy	2			2		
	Total Goal 1	**75**	**8**	**0**	**78**	**8**	**0**
Strategic Goal 2:	*The Science and Engineering Enterprise*						
	High Energy Physics	4			3		
	Nuclear Physics	5	1		3		
	Biological & Environmental Research	6			3		
	Fusion Energy Sciences	3	1		4		
	Basic Energy Sciences	4			3		
	Advanced Scientific Computing Research	2			1	1	
	Total Goal 2	**24**	**2**	**0**	**17**	**1**	**0**

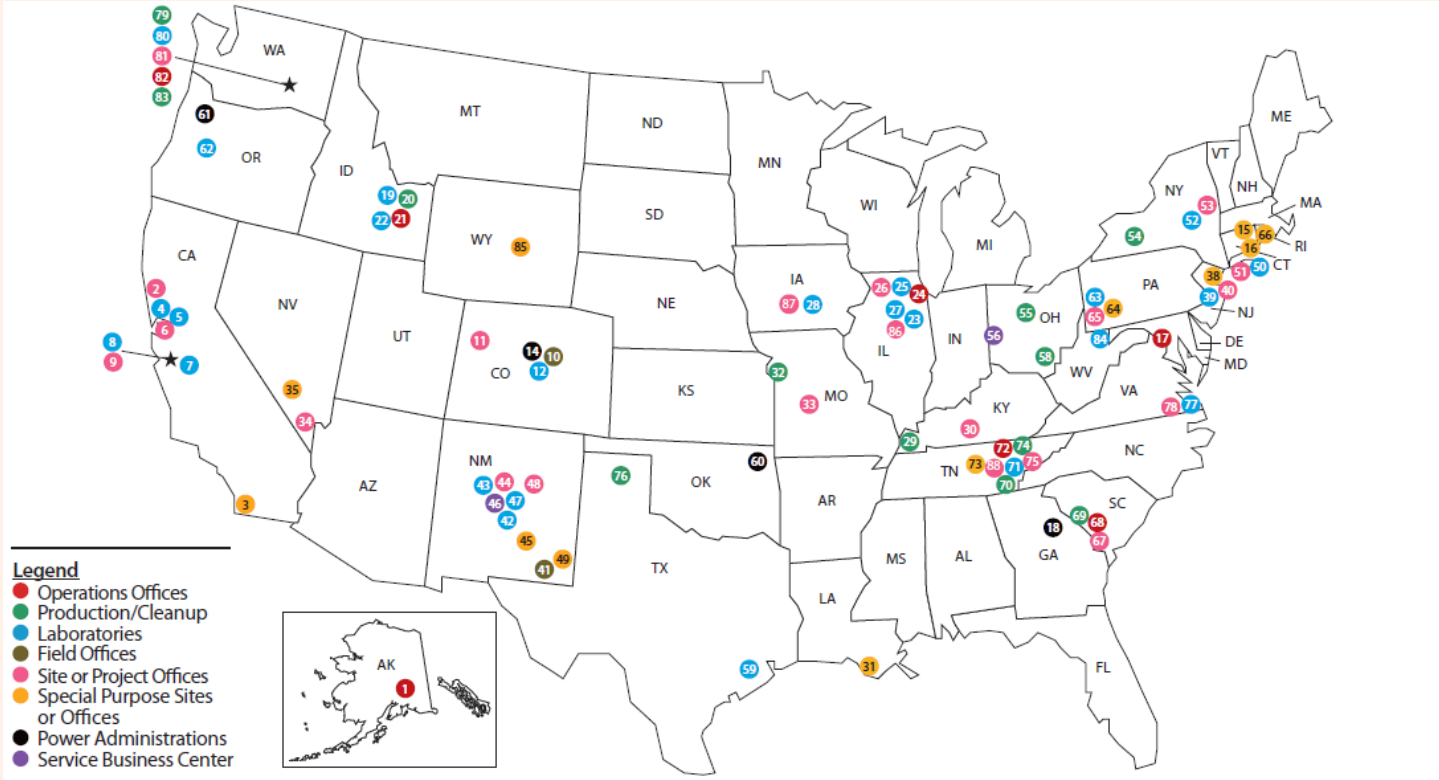
* Strategic Goals established in May 2011 Strategic Plan

AGENCY HIGHLIGHTS

STRATEGIC GOAL*	ACTIVITY	Fiscal Year 2011 Performance			Fiscal Year 2012 Performance		
		Targets Met	Targets Not Met	Results Unknown	Targets Met	Targets Not Met	Results Unknown
Strategic Goal 3:	*Secure Our Nation*						
	Office of the Administrator	2			1		
	Directed Stockpile Work	3	1		3	1	
	Science Campaign	3			1		
	Engineering Campaign	5			1		
	Inertial Confinement Fusion Ignition & High Yield Campaign	3		1		1	
	Advanced Simulation & Computing Campaign	3				1	
	Readiness Campaign	4			2		
	Readiness in Technical Base & Facilities	4			2		
	Secure Transportation Asset	3			1		
	Nuclear Counterterrorism Incident Response		1		1		
	Facilities & Infrastructure Recapitalization	2			1		
	Site Stewardship	2			2		
	Defense Nuclear Security	4	1		3		
	Cyber Security	1	2				
	NNSA CIO Activities					1	
	National Security Applications				2		
	Nonproliferation & Verification R&D	6			4		
	Elimination of Weapons-Grade Plutonium Production	2					
	Nonproliferation & International Security	5			3		
	International Nuclear Materials Protection & Cooperation	3	2			2	
	Fissile Materials Disposition	2	1		2	2	
	Global Threat Reduction Initiative	3	1		2	1	
	Naval Reactors	4	1		2		
	Environmental Management	3	4		9	8	
	Legacy Management	2			2		
	Total Goal 3	**69**	**14**	**1**	**44**	**17**	**0**
	DOE Total	**168**	**24**	**1**	**139**	**26**	**0**
	Share of Targets Met	**87%**			**84%**		

* Strategic Goals established in May 2011 Strategic Plan

Major Laboratories and Field Facilities



Alaska
- 1 Arctic Energy Office

California
- 2 Berkeley Site Office
- 3 Energy Technology Engineering Center
- 4 Lawrence Berkeley National Laboratory
- 5 Lawrence Livermore National Laboratory
- 6 Livermore Site Office
- 7 Sandia National Laboratories
- 8 SLAC National Accelerator Laboratory
- 9 SLAC Site Office

Colorado
- 10 Golden Field Office
- 11 Grand Junction Office
- 12 National Renewable Energy Laboratory
- 14 Western Area Power Administration

Connecticut
- 15 16 Northeast Home Heating Oil Reserves

District of Columbia
- 17 Washington D.C. Headquarters

Georgia
- 18 Southeastern Power Administration

Idaho
- 19 20 Idaho National Laboratory
- 21 Idaho Operations Office
- 22 Radiological Environmental Sciences Laboratory

Illinois
- 23 Argonne National Laboratory
- 86 Argonne Site Office
- 24 Chicago Office
- 25 Fermi National Accelerator Laboratory
- 26 Fermi Site Office
- 27 New Brunswick Laboratory

Iowa
- 28 Ames Laboratory
- 87 Ames Site Office

Kentucky
- 29 Paducah Gaseous Diffusion Plant
- 30 Portsmouth/Paducah Project Office

Louisiana
- 31 Strategic Petroleum Reserve

Missouri
- 32 Kansas City Plant
- 33 Kansas City Site Office

Nevada
- 34 Nevada Site Office
- 35 Nevada National Security Site

New Jersey
- 38 Northeast Home Heating Oil Reserve
- 39 Princeton Plasma Physics Laboratory
- 40 Princeton Site Office

New Mexico
- 41 Carlsbad Field Office
- 42 Inhalation Toxicology Research Institute
- 43 Los Alamos National Laboratory
- 44 Los Alamos Site Office
- 45 National Training Center
- 46 NNSA Service Center
- 47 Sandia National Laboratories
- 48 Sandia Site Office
- 49 Waste Isolation Pilot Plant

New York
- 50 Brookhaven National Laboratory
- 51 Brookhaven Site Office
- 52 Knolls Atomic Power Laboratory
- 53 Schenectady Naval Reactors Office
- 54 West Valley Demonstration Project

Ohio
- 55 Columbus Environmental Management Project
- 56 EM Consolidated Business Center
- 58 Portsmouth Gaseous Diffusion Plant

Oklahoma
- 60 Southwestern Power Administration

Oregon
- 61 Bonneville Power Administration
- 62 National Energy Technology Laboratory – Albany

Pennsylvania
- 63 Bettis Atomic Power Laboratory
- 64 National Energy Technology Laboratory – Pittsburgh
- 65 Naval Reactors Laboratory Field Office

Rhode Island
- 66 Northeast Home Heating Oil Reserve

South Carolina
- 67 Savannah River National Laboratory
- 68 Savannah River Operations Office
- 69 Savannah River Site Office

Tennessee
- 70 East Tennessee Technology Park
- 71 Oak Ridge National Laboratory
- 88 Oak Ridge National Laboratory Site Office
- 72 Oak Ridge Office
- 73 Office of Scientific and Technical Information
- 74 Y-12 Plant
- 75 Y-12 Site Office

Texas
- 76 Pantex Plant and Site Office
- 59 National Energy Technology Lab – Sugar Land

Virginia
- 77 Thomas Jefferson National Accelerator Facility
- 78 Thomas Jefferson Site Office

Washington
- 79 Hanford
- 80 Pacific Northwest National Laboratory
- 81 Pacific Northwest Site Office
- 82 Richland Operations Office
- 83 Office of River Protection

West Virginia
- 84 National Energy Technology Laboratory – Morgantown

Wyoming
- 85 Naval Petroleum Reserve No. 3 – Casper

Strategic Plan and Program Performance

The narrative below discusses Fiscal Year (FY) 2013 results and outcomes for DOE programs as aligned with the strategic goals presented in the *May 2011 DOE Strategic Plan*. A detailed discussion of results for the Department's FY 2013 performance goals, assessment methodologies, metrics, external reviews, and documentation of performance data will be presented in the *FY 2013 DOE Annual Performance Report* to be released in February 2014. Additional performance information is available at http://energy.gov/about-us/budget-performance.

Goal 1 Transform Our Energy Systems

Catalyze the timely, material, and efficient transformation of the nation's energy system and secure U.S. leadership in clean energy technologies

Objectives:

- Deploy the technologies we have
- Discover the new solutions we need
- Lead the national conversation on energy

Supporting Offices:

Advanced Research Projects Agency - Energy
Electricity Delivery and Energy Reliability
Energy Efficiency and Renewable Energy
Energy Information Administration
Fossil Energy
Indian Energy Policy and Programs
Loan Programs
Nuclear Energy
Power Marketing Administrations

Access to clean, affordable, secure, and reliable energy has been a cornerstone of America's economic growth. However, maintaining this access while strengthening U.S. competitiveness and mitigating the environmental impacts of energy are long-standing challenges. Below are examples of FY 2013 program results and market outcomes from investments that address these challenges.

Greenhouse Gas Storage Test: Researchers at Pacific Northwest National Laboratory are injecting 1,000 tons of CO_2 one-half mile underground to see if the greenhouse gas can be stored safely and permanently in a deep geological area. The pilot project injected the CO_2 into deep basalt, the same massive ancient lava flows that underlie major portions of Washington, Oregon, and Idaho. The research is conducted under the Big Sky Carbon Sequestration Partnership, which is led by Montana State University and funded by DOE and a consortium of industrial partners. It is one of seven regional partnerships throughout the United States aimed at finding safe and economical ways to permanently store the nation's greenhouse gas emissions.

Climate Change Report: In support of the President's Climate Action Plan, DOE released a report which assesses how America's critical energy and electricity infrastructure is vulnerable to the impacts of climate change. Historically high temperatures in recent years have been accompanied by droughts and extreme heat waves, more wildfires than usual, and several intense storms that caused power and fuel disruptions for millions of people. If these weather patterns continue there could be further impacts to energy systems critical to the nation's economy. This report is part of the Administration's efforts to support national climate change adaptation planning through the Interagency Climate Change Adaptation Task Force and Strategic Sustainability Planning process established under Executive Order 13514 and to advance DOE's goal of promoting energy security.

Offshore Wind Prototype: The nation's first grid-connected offshore floating wind turbine prototype was deployed off the coast of Castine, Maine, with the support of DOE's multi-million dollar investment. Led by the University of Maine, this project represents the first concrete-composite floating platform wind turbine to be deployed in the world, helping to strengthen American leadership in innovative clean energy technologies that diversify the nation's energy mix with more clean, domestic energy sources. The University of Maine and its project partners conducted extensive design, engineering, and testing of floating offshore wind turbines, followed by the construction and deployment of the 65-foot-tall VolturnUS prototype. At one-eighth the scale of a commercial installation, this project will collect data to validate and improve floating wind turbine designs, while helping to address technical barriers to greater offshore wind cost reductions.

Cellulosic Ethanol: Scientists at DOE national laboratories successfully demonstrated technical advances required to produce cellulosic ethanol that is cost competitive with petroleum. Cellulosic ethanol is fuel produced from the inedible, organic material abundant in agricultural waste, including grasses, farm waste, and virtually every type of plant. Although cellulosic ethanol represents a significant opportunity for the renewable

fuels industry, the high costs and inefficiencies associated with the technology have been barriers to commercialization. However, with this new breakthrough accomplished by our national lab researchers and industry partners, those barriers are diminishing. This accomplishment is the culmination of more than 10 years of research and development by both the public and private sectors. These conversion technologies were demonstrated at the National Renewable Energy Laboratory's Integrated Biorefinery Research Facility and Thermochemical Users Facility, where scientists led pilot-scale projects for two cellulosic ethanol production processes.

Enhanced Geothermal Systems: The Department recognized the first commercial enhanced geothermal system (EGS) project to supply electricity to the grid in April 2013. Located in Churchill County, Nevada, Ormat Technologies' Desert Peak 2 EGS project increased power output of its nearby operating geothermal field by nearly 38%, providing an additional 1.7 megawatts of power to the grid and validating the potential of this emerging clean energy technology. With a resource capacity estimated at more than 100 gigawatts in the United States alone, EGS has the potential to make a considerable contribution to the domestic renewable energy sector.

Ground-Source Heat Pump: A new commercially available, highly efficient ground-source heat pump that has the capability of providing all the space heating, cooling, and water heating requirements for a residential or small commercial building, was recently awarded a 2013 Innovation Award at the International Air-Conditioning and Refrigerating Expo in Dallas, Texas. This integrated ground-source heat pump technology was developed by DOE's Oak Ridge National Laboratory, in partnership with ClimateMaster, through a cooperative research and development agreement.

Electric Power Routing: With support from the Advanced Research Projects Agency-Energy, Smart Wire Grid is developing a solution for controlling power flow within the electric grid to better manage unused and overall transmission capacity. Smart Wire Grid's devices clamp onto existing transmission lines and control the flow of power, much like Internet routers help allocate bandwidth throughout the Web. Smart wires could support greater use of renewable energy by providing more consistent control over how that energy is routed within the grid on a real-time basis. This would lessen the concerns surrounding the grid's inability to effectively store intermittent energy from renewable energy sources for later use.

Hurricane Response: In late October 2012, Superstorm Sandy caused 8.6 million power outages across 21 states and an estimated $65 billion in damages. DOE's response focused primarily on providing situational awareness of energy impacts and assisting with power restoration. For example, DOE monitored energy infrastructure in real-time, providing twice daily reports of impacts to the energy sector. To facilitate restoration, a DOE team performed damage assessments of some of the hardest hit areas and worked with local officials and utility representatives to help address their most critical needs. DOE continues to support state and local governments as they work to rebuild stronger, safer, and more resilient communities. The Department signed Memorandum of Understandings with the City of Hoboken, New Jersey, to develop strategies for improving the reliability and resiliency of their local electric grid and with the State of New Jersey to assist NJ Transit in its efforts to enhance the reliability and resiliency of electricity used for its rail and system operations.

New Web Tool: DOE's Energy Information Administration deployed a new interactive energy disruption map, which allows government decision-makers, industry, and the American public to better see and understand the potential impact of severe storms. Hurricanes and other extreme weather events affect the nation's energy infrastructure, especially when storm paths traverse offshore production rigs and pipelines in the Gulf of Mexico, coastal refineries, power plants, and energy import and export sites. The tool combines more than 20 infrastructure layers from the agency's national energy mapping system with real-time storm information from the National Oceanic and Atmospheric Administration. This integration ensures that citizens have the latest information in the event of fast-moving storms or other weather situations. (Access tool)

Security of Energy Delivery Systems: Cyber security for energy delivery systems has emerged as one of the nation's most serious grid modernization and infrastructure security issues. Innovative solutions designed specifically to meet the unique requirements of high-reliability energy delivery systems are needed to ensure the success of grid modernization and transformation of the nation's energy systems. To help meet these challenges, DOE selected 11 projects to receive awards totaling more than $30 million for research, development, and demonstration of tools and technologies to enhance the cyber security of the nation's energy delivery control systems, which includes electricity as well as oil and gas. These 11 projects will bring expertise in power system engineering and computer science together to develop innovative cyber security solutions, culminating in demonstrations that will accelerate the transition of cyber security capabilities to the U.S. energy sector. Project funding will be cost-shared with the private sector to support more than $43 million in total project cost.

New Appliance Efficiency Standards: The Department finalized new energy efficiency standards in 2013 for microwave ovens that are projected to save consumers nearly $3 billion on their energy bills through 2030. Over the next 30 years, it will dramatically reduce harmful carbon pollution, equivalent to taking over 12 million cars off the road for one year. Appliance efficiency standards

represent a huge opportunity to help families save money by saving energy, while still delivering high quality appliances for consumers. The standards for microwave ovens will reduce energy consumption in standby mode by 75% in countertop microwave ovens and over-the-range microwave ovens without convection features, and by 51% for over-the-range microwave ovens with convection, preventing 38 million metric tons of carbon pollution over the next three decades. These standards will go into effect in 2016. In his February 2013 State of the Union Address, President Obama set an ambitious energy efficiency goal to cut in half the energy wasted by our homes and businesses over the next 20 years. The Department is helping to meet that target through these higher energy efficiency standards.

Nuclear Reactor Simulation: The Consortium for Advanced Simulation of Light Water Reactors, a DOE Energy Innovation Hub, announced that its scientists have successfully completed their first full-scale simulation of an operating nuclear reactor. The Consortium is modeling nuclear reactors on supercomputers to help researchers better understand reactor performance with much higher reliability than previously available methods, with the goal of ultimately increasing power output, extending reactor life and reducing waste. The capabilities of the Virtual Environment for Reactor Applications program range from simulating single fuel pins to modeling an entire operational reactor core.

Nuclear Waste Strategy: The January 2013, "Strategy for the Management and Disposal of Used Nuclear Fuel and High-Level Radioactive Waste" is a framework for moving toward a sustainable program to deploy an integrated system capable of transporting, storing, and disposing of used nuclear fuel and high-level radioactive waste from civilian nuclear power generation, defense, national security and other activities.

Goal 2 The Science and Engineering Enterprise

Maintain a vibrant U.S. effort in science and engineering as a cornerstone of our economic prosperity, with clear leadership in strategic areas

Objectives:
- Extend our knowledge of the natural world
- Deliver new technologies to advance our mission
- Sustain a world leading technical workforce

Supporting Offices:
Science

The Department of Energy supports basic research into the smallest constituents of matter; the most fleeting subatomic, atomic, and chemical transitions; and the structures and properties of materials and biological systems. We are the largest federal funder of physical sciences. Our research extends our understanding of nature; enables new technologies that support the Department's energy, environment, and security missions; and improves the quality of life of all Americans. Scientific discovery feeds technology development; and, conversely, technological advances enable scientists to pursue an ever more challenging set of questions. The Department strives to maintain leadership in fields where this feedback is particularly strong, including materials science research, bio-energy research, and high-performance computing. In addition, the Department provides the world's largest collection of scientific user facilities to 26,000 researchers every year. Below are examples of FY 2013 program results from DOE investments in science and engineering.

Powerful New Microbe: The DOE BioEnergy Science Center (BESC) has identified a microbe, isolated two decades ago from a hot spring in Russia, that simultaneously "solubilizes", or helps to dissolve, all three major components of plant fiber—cellulose, hemicellulose, and lignin—without the need for pretreatment. The identification of a microbe that can dissolve plant matter such as switchgrass without the need for pretreatment is a significant advance. The BESC researchers also have developed a means of genetically modifying the microbe and have begun to coax it into producing fuel. The researchers have started out with hydrogen production but are aiming eventually at the production of liquid fuels. The ultimate goal would be a proof of concept for "consolidated bioprocessing", the use of a single organism or community of organisms to complete the process from end to end, to go from raw biomass to the production of liquid fuels in essentially a single step.

Organic Electronics: Through innovations to a printing process, researchers have made major improvements to organic electronics, a technology in demand for lightweight, low-cost solar cells, flexible electronic displays and tiny sensors. The printing method is fast and works with a variety of organic materials to produce semiconductors of strikingly higher quality than what has so far been achieved with similar methods. Organic electronics have great promise for a variety of applications, but even the highest quality films available today fall short in how well they conduct electrical current. The team from DOE's SLAC National Accelerator Laboratory and Stanford University have developed a printing process called FLUENCE—fluid-enhanced crystal engineering—that for some materials results in thin films capable of conducting electricity 10 times more efficiently than those created using conventional methods.

Molecular Images: Researchers at Lawrence Berkeley National Laboratory recently released the first-ever high-resolution images of a molecule as it breaks and reforms chemical bonds. These researchers set out to develop nanostructures made of graphene using a new, controlled approach to chemical reactions, but the first result was a surprise: spectacular images of individual carbon atoms and the bonds between them. The specific outcomes of the reaction were themselves unexpected, but the visual evidence was even more so. Nobody has ever taken direct, single-bond-resolved images of individual molecules right before and immediately after a complex organic reaction.

Giant Electromagnet: A 50-foot, 17-ton electromagnet traveled by land and by sea from Long Island to Chicago, arriving at the Fermi National Accelerator Laboratory. The electromagnet is part of the Muon g-2 experiment. In 2001, Brookhaven scientists used the ring to measure how short-lived particles called muons wobble in a magnetic field. Fermilab's cleaner, more intense muon beam will increase the measurement precision to possibly reveal hints of undiscovered physics.

New Supercomputers: Argonne National Laboratory dedicated a new Mira supercomputer that allows researchers to tackle extremely complex challenges ranging from improving combustion efficiency in car engines to modeling the progression of deadly diseases in the human body. High-performance computing is crucial to U.S. economic growth and competitiveness, boosting our national security and strengthening our economy. Mira, an IBM Blue Gene/Q system, consists of 48 racks of computers, 786,432 processors and 768 terabytes of memory and is capable of 10 quadrillion calculations per second–making it the fifth-fastest supercomputer in the world. To put those capabilities in perspective, Mira is 20 times faster than its IBM Blue Gene/P predecessor at the Argonne Leadership Computing Facility, Intrepid, which was ranked third in the world when it was installed in 2008.

There is also a new supercomputer at the National Energy Technology Laboratory in Morgantown, West Virginia. The High-Performance Computer for Energy and the Environment is not only on the TOP500 list as one of the top 100 supercomputers in the world but it is also one of the most energy efficient for its size. It will provide the computational muscle to pursue research on advanced energy technologies like the simulation of carbon capture devices and the development of large scale chemical looping reactors.

Microorganisms and Hydrogen Fuel: A protein found in the membranes of ancient microorganisms that live in desert salt flats could offer a new way of using sunlight to generate environmentally friendly hydrogen fuel, according to a new study by researchers at DOE's Argonne National Laboratory. An Argonne nanoscientist and fellow colleagues combined a pigment called bacteriorhodopsin with semiconducting nanoparticles to create a system that uses light to spark a catalytic process that creates hydrogen fuel.

3D Printed Batteries: In recent years engineers have invented many miniaturized devices, including medical implants, tiny cameras, and microphones that fit on a pair of glasses. But often the batteries that power them are as large, or larger, than the devices themselves, which defeats the purpose of building small. Now a team of researchers—including collaborators from a DOE Energy Frontier Research Center—has shown that 3D printing can be used to print lithium-ion microbatteries the size of a grain of sand. The printed microbatteries could supply electricity to tiny devices in fields from medicine to communications, including many that have lingered on lab benches for lack of a battery small enough to fit the device, yet provide enough stored energy to power them. To make the microbatteries, the team, based at Harvard University and the University of Illinois at Urbana-Champaign, printed precisely interlaced stacks of tiny battery electrodes, each less than the width of a human hair.

New Touch Screen: Researchers at a DOE Energy Frontier Research Center, using nanotechnology, have devised a new kind of transparent electrode that shows real promise as a substitute to indium tin oxide (ITO)–the compound used currently to make touch screens for electronic devices. The electrode is highly transparent. It has electrical conductivity essentially equal to commercial-grade ITO. It is not brittle, but rather extremely flexible and also fairly physically robust overall. Best of all, it can be fabricated using earth-abundant materials and well-known fabrication processes, which in theory could be scaled up to an industrial level.

Recycling Waste Heat: Until recently, thermoelectric devices have remained mostly a niche technology. That is largely because thermoelectric materials have comparatively low energy conversion efficiencies, normally converting only about 5-7% percent of heat energy into electricity (as compared to 20% efficiency for silicon wafer solar cells generating electricity from sunlight). But now a team of researchers led by a DOE Energy Frontier Research Center has fabricated a thermoelectric material with a conversion efficiency of roughly 15%. This record-breaking result could be an important step toward making thermoelectric devices viable as an energy-recycling technology capable of deployment on a wider scale.

Goal 3 Secure Our Nation

Enhance nuclear security through defense, nonproliferation, and environmental efforts

Objectives:
- Support the U.S. nuclear stockpile and future military needs
- Reduce global nuclear dangers
- Apply our capabilities for other critical national security missions
- Support responsible civilian nuclear power development and fuel cycle management
- Complete environmental remediation of our legacy and active sites

Supporting Offices:
Environmental Management
Intelligence and Counterintelligence
Legacy Management
National Nuclear Security Administration

The Department of Energy, primarily through the National Nuclear Security Administration (NNSA), is central to preventing proliferation and nuclear terrorism and sustaining a safe, secure, and effective nuclear arsenal. Through engagement with the International Atomic Energy Agency and directly with other international and interagency partners, the Department has a leading role in nonproliferation and cooperative threat-reduction programs. This expertise positions the Department ideally to help shape policy surrounding future deployment of nuclear power globally. Just as the Department is the trusted authority on the safety, security, and effectiveness of the U.S. nuclear weapons stockpile, it can apply science, technology, and engineering to ensure future nuclear power systems can be deployed safely and securely with appropriate mitigation of risks from terrorism and proliferation.

The Department has the monumental task of cleaning up the environmental legacy from five decades of nuclear weapons development and production and government-sponsored nuclear energy research. We have been successfully mitigating the technically challenging risks and have made substantial progress in nearly every area of nuclear waste cleanup, including stabilizing and consolidating special nuclear material and safely storing tons of used nuclear fuel. In addition, we have continued to make significant progress in disposing of solid radioactive wastes, remediating contaminated soil and ground water, and deactivating and decommissioning radioactively contaminated facilities, with each succeeding year building on the last.

Our intelligence analysis program provides the Secretary, his staff, and other policymakers within the Department, timely, technical intelligence analyses on all aspects of foreign nuclear weapons, nuclear materials, and energy issues worldwide. In addition, a comprehensive counterintelligence program protects the Department's personnel, technologies, facilities, and intellectual property from penetration by foreign intelligence services, terrorist and transnational criminal organizations, and insiders.

Our cyber intelligence program also contributes to both the intelligence analysis and counterintelligence activities, as do the Department's other cyber professionals, by contributing vital expertise on the ever-evolving cyber threat. Below are examples of FY 2013 program results and outcomes from DOE investments in national security.

Reducing Global Nuclear Dangers: NNSA's Megatons to Megawatts program eliminated more than 475 metric tons of Russian highly enriched uranium (HEU) from inception through FY 2013. The program is now 95% complete and HEU roughly equivalent to 19,000 nuclear weapons has been permanently eliminated. Under this program, Russia converts HEU from dismantled nuclear weapons into low enriched uranium (LEU). The resulting LEU is delivered to the United States, fabricated into nuclear fuel and used in nuclear power plants to generate nearly 10 percent of all electricity produced in the United States each year. Nearly half of all commercial nuclear energy produced in the United States comes from nuclear fuel derived from Russian nuclear weapons.

Other NNSA efforts to reduce global nuclear dangers include removing all HEU from Vietnam and the Czech Republic. In July, NNSA's Global Threat Reduction Initiative (GTRI) and the Socialist Republic of Vietnam's Ministry of Science and Technology, in a joint operation with the Russian Federation, announced the successful removal of 11 kilograms of HEU from the Dalat Nuclear Research Institute in Dalat, Vietnam. As of August 1, GTRI had removed or disposed of a cumulative total of 5,017 kilograms of vulnerable nuclear material and eliminated all HEU from 24 countries. In April, NNSA and the Czech Republic's Nuclear Research Institute announced the successful removal of 68 kilograms (approximately 150 pounds, or enough material for two nuclear weapons) of HEU from the Nuclear Research Institute in Rez, Czech Republic. The removal was executed in close coordination with the Russian Federation, which has partnered with GTRI on similar projects in more than 14 countries.

Preventing Radiological Terrorism: In March, NNSA and Philadelphia's Temple University completed the

successful shipment of a high-activity radiological device from the university. The material contained within the irradiator (cesium-137) could be attractive for use in a radiological dispersal device, or a so-called dirty bomb. The operation was led by NNSA's GTRI which collaborates with partner sites like Temple University, state, local, and other federal agencies to enhance existing domestic radiological security. The removal was part of GTRI's global campaign to prevent terrorists from acquiring nuclear and radiological material.

Radiological Response Training: NNSA, in partnership with the International Atomic Energy Agency (IAEA) Incident and Emergency Center, conducted an International Radiological Assistance Program Training for Emergency Response Advanced training course at the IAEA headquarters in Vienna, Austria. NNSA currently collaborates with more than 80 foreign governments and 10 international organizations, with projects ranging from providing assistance in improving emergency preparedness and response programs, to joint collaborative activities to improve emergency management infrastructure worldwide.

International Radiation Safety: The NNSA and Tajikistan's Nuclear and Radiation Safety Agency signed a memorandum of understanding on April 29, 2013, that will strengthen efforts to deter, detect, and interdict the illicit smuggling of special nuclear and other radiological materials. Under the agreement, NNSA's Second Line of Defense Program plans to provide mobile and man-portable radiation detection equipment and specialized training to Tajikistan Customs and the Border Guard officers that will enhance their ability to respond to illicit nuclear or radiological smuggling events.

Radiological Dose Assessment: The NNSA and the Japan Atomic Energy Agency (JAEA) have developed a novel method for analyzing airborne radiological monitoring data. This new method has been used to perform a detailed study of survey data taken by the NNSA and JAEA in the months following the March 2011 radiological incident in Japan. Aerial surveys were employed in the region surrounding the stricken Fukushima Daiichi Nuclear Power Plant to cover the area impacted by the accident quickly, thoroughly, and safely. This new analysis provides a complete map of Iodine-131 deposition, an important contributor to radiological dose.

R&D Awards: Four NNSA sites (Lawrence Livermore, Los Alamos, Sandia National Laboratories, and Y-12 National Security Site) have received a total of 11 of R&D Magazine's 2013 R&D 100 Awards. The awards recognize a variety of technologies created by researchers, scientists, and engineers from throughout the nuclear security enterprise. Examples of discoveries include a safe and versatile material that can be used to reliably and rapidly diagnose airflow patterns and problems in both indoor and outdoor venues; a battery powered, digital x-ray imaging system that is completely self-contained, lightweight, compact, and portable; Multiplex Photon Doppler Velocimeter systems that revolutionize the experimental design, fielding, and analysis process for hydrodynamic experiments; and a nuclear fission system as a heat source that transfers heat through a heat pipe to a small Stirling-engine-based power convertor to produce electricity from uranium.

Hanford Site: The Environmental Restoration Disposal Facility, a massive landfill for low-level radioactive and hazardous waste at the Hanford site in Washington State, has achieved a major cleanup milestone. Since beginning operations in 1996, workers supporting the Richland Operations Office have disposed of 15 million tons of contaminated material in the facility, a volume of soil and debris that would fill Seattle's Safeco Field ballpark to its roof about 4 times over. This facility provides a safe and compliant location to dispose of a variety of waste material, and prevents contaminants from reaching the Columbia River.

DOE contractor CH2M HILL Plateau Remediation Company has exceeded this year's goal for treating 1.4 billion gallons of contaminated groundwater at the Hanford Site in Washington State. The contractor met this goal 3 months ahead of schedule in June because the startup of a major new treatment facility progressed more quickly than anticipated, and the contractor operated treatment facilities more efficiently.

Moab Site: To date, the Department of Energy has extracted 200 million gallons of contaminated ground water from the Moab site in Utah as part of the Moab Uranium Mill Tailings Remedial Action Project. Actively remediating the contaminated ground water is part of the project's scope, which also includes relocating a 16-million-ton uranium mill tailings pile away from the Colorado River. Ammonia was used in the milling process to extract the uranium from the ore. The mill tailings, what remained after the ore was processed, were pumped to an unlined impoundment at the Moab site that accumulated over time, creating a pile more than 80 feet thick and covering 130 acres. Excess water from the pile drained into underlying soils, contaminating the ground water. This cleanup prevents more than 785,000 pounds of ammonia and almost 3,900 pounds of uranium from reaching the river.

Savannah River Site: A common household product is being used at the Savannah River Site (SRS) to treat groundwater contamination, significantly reducing cleanup time. Vegetable oil is being used to treat hazardous chlorinated solvents in groundwater beneath T Area, a former laboratory and production facility at SRS. In this cleanup technique, soybean oil is injected into wells to treat the groundwater. The oil captures the hazardous solvents by immobilizing it from the groundwater. It then stimulates the growth and activity of microbes. These microbes are able to consume solvents and break them down into harmless byproducts. Switching to this

biodegradable treatment approach is expected to meet environmental cleanup objectives in one-third the time of traditional techniques.

West Valley Project: A unique groundwater treatment system has significantly reduced the presence of a contaminant at the West Valley Demonstration Project in New York. The permeable treatment wall, one of the first full-scale systems of its kind in the DOE complex to remove radioisotopes from groundwater, has decreased the concentration of the contaminant strontium-90 in the groundwater by 77% since the wall began operating in late 2010. The wall is effectively remediating more of the groundwater plume than could have been achieved with a pump-and-treat system.

Goal 4 Management and Operational Excellence

Establish an operational and adaptable framework that combines the best wisdom of all Department stakeholders to maximize mission success

Objectives:
- Achieve operational and technical excellence
- Implement a performance-based culture

Supporting Offices:
Chief Financial Officer
Chief Human Capital Officer
Chief Information Officer
Congressional and Intergovernmental Affairs
Economic Impact and Diversity
General Counsel
Health, Safety, and Security
Hearings and Appeals
Inspector General
Management
Policy and International Affairs
Public Affairs

Success in meeting the Department's missions of clean energy, science, and national security requires a sustained commitment to management excellence from headquarters to every site office, service center, laboratory, and production facility. The Department must develop the most highly qualified, capable, and flexible federal workforce. The Department will improve the rigor of its research and development management so that it supports only those activities that have the greatest potential and likelihood for impact; make decisions fully informed by rigorous peer review; and effectively disseminate the results of the activities it supports. The Department works relentlessly to improve project management and exercise its regulatory authorities in a manner that is strategic and efficient. This requires increased transparency of financial and operational data systems and effective information technology and cyber-security systems and programs. Recent progress has been seen in the following key DOE management areas:

Cyber Risk: The Department is working to manage and sustain the implementation of Trusted Internet Connection (TIC) capabilities at 95% in order to provide the Department with higher cyber security protection. Implementation was at 87% in FY 2012 and at 92% for FY 2013. Additionally, the Department is identifying the external connections that meet the requirements for consolidation under a TIC/Managed Trusted Internet Protocol Service and are developing a plan to increase TIC consolidation from 26% to the Department's 4th Quarter FY 2014 target of 95%.

Capital Asset Projects: The Department's goal for improving project management is to complete at least 90% of its construction projects, which have been baselined since inception of the Root Cause Analysis Corrective Action Plan in Fiscal Year 2008, at the original scope and within 110% of the original cost baseline. This goal is measured and reported over a rolling 3-year timeline. Progress has been made in reaching this goal since FY 2008 when the rolling 3-year success rate was reported as 76%; results show a success rate of 96% for the 3-year period ending in FY 2012, and 86% for the 3-year period ending in FY 2013.

Personnel: Efforts have been underway to reduce average time-to-hire for general schedule and equivalent positions to a goal of 80-days while continuing to attract quality hires with the unique skills required by the Department. In FY 2013, the average was 97 days, an improvement of 44% compared to 174 days for FY 2009.

Website: DOE reduced, consolidated, and moved its websites to the "new" Energy.gov platform, creating a uniform look. A new web platform was launched that includes 16 consolidated sites in an open source content management system and cloud hosting environment. The Energy.gov website contributes to the Department's efforts to more effectively communicate and engage with the general public, to help ensure federal government transparency, and to achieve cost savings by eliminating duplicative contracts. The website has received a number of national awards recently. The goal is to reach 100%

consolidation by the end of FY 2014. The consolidation level was 50% in FY 2012 and 75% by the end of FY 2013.

IT Infrastructure: DOE's Energy Information Administration modernized its information technology operations in FY 2013 through the relocation of its data center. The new state-of-the-art facility, co-located with the data center for the Office of Energy Efficiency and Renewable Energy in DOE's headquarters building, is more secure and energy efficient. This consolidation is estimated to provide a decrease in energy consumption of approximately 50% over the next 4 years as a result of a significantly smaller physical footprint. In addition, the data center features new containment technology that can extend the useful life of IT hardware assets, potentially saving millions of dollars over the long term.

Management's Analysis, Assurances and Priorities

Analysis of Financial Statements

The Department's financial statements report the financial position and results of operations of the entity, pursuant to the requirements of 31 U.S.C. 3515(b) (United States Code). The Department's management is responsible for the integrity and objectivity of the financial information presented in these financial statements.

The statements have been prepared from the Department's books and records in accordance with generally accepted accounting principles prescribed by the Federal Accounting Standards Advisory Board and the formats prescribed by the Office of Management and Budget (OMB). The financial statements are prepared in addition to the financial reports used to monitor and control budgetary resources which are prepared from the same books and records. The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity.

Balance Sheet

As shown in Chart 1, the Department's total liabilities exceed total assets. Significant balance changes are detailed in Charts 2 and 3. Chart 4 provides a detailed trend analysis of the changes in the Department's environmental liability balances over the past 5 years. The largest component of the Department's environmental liability is managed by the Environmental Management (EM) program which addresses the legacy of contamination from the nuclear weapons complex and includes managing thousands of contaminated facilities formerly used in the nuclear weapons program, overseeing the safe management of large quantities of radioactive waste and nuclear materials, and cleanup of large volumes of contaminated soil and water. The active facilities liability includes anticipated remediation costs for active and surplus facilities managed by the Department's ongoing program operations and which will ultimately require stabilization, deactivation, and decommissioning. Other legacy liabilities are divided between environmental liabilities for active sites, including estimated cleanup; and the Office of Legacy Management (LM) for post-closure responsibilities, including surveillance and monitoring activities; soil and groundwater remediation; and disposition of excess material from sites after the EM program activities have been completed. The other legacy liabilities also include the Department's share of the estimated future costs of dispositioning its inventory of high-level waste and spent nuclear fuel.

Chart 1: Total Assets and Liabilities with Breakdown of FY 2013 Liabilities

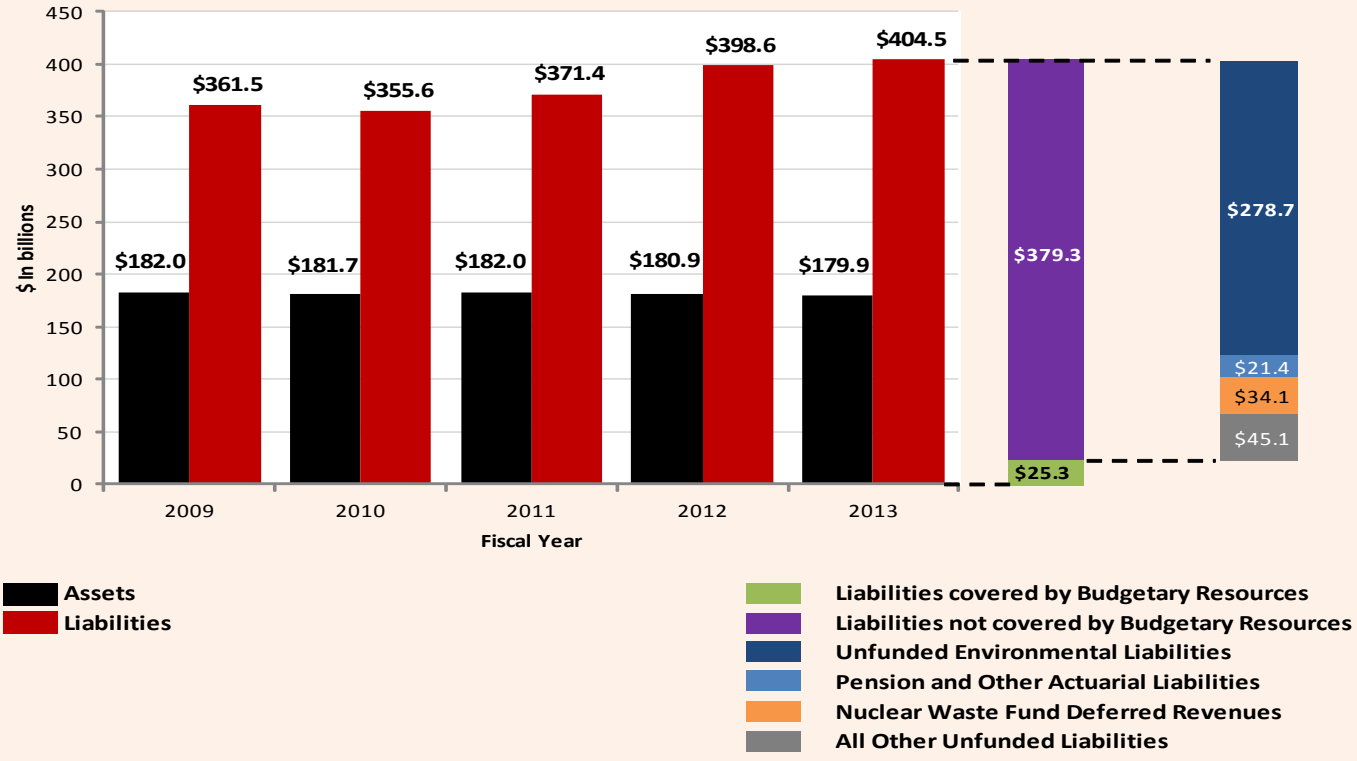
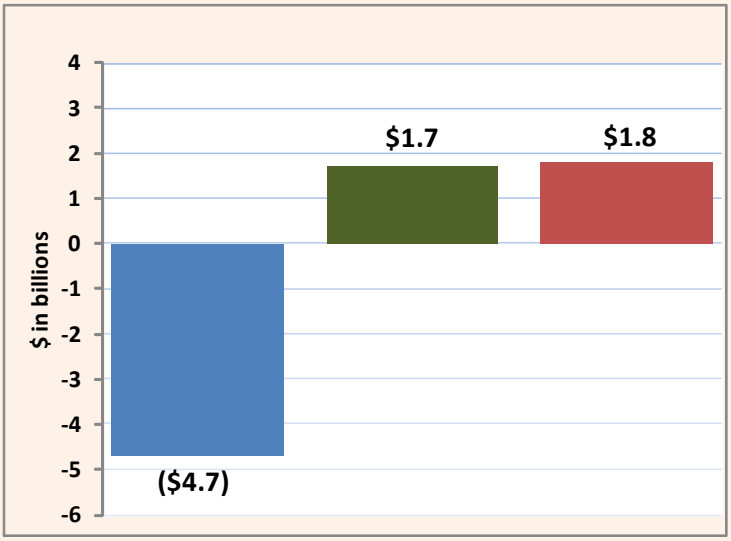


Chart 2: FY 2013 Significant Changes in Assets

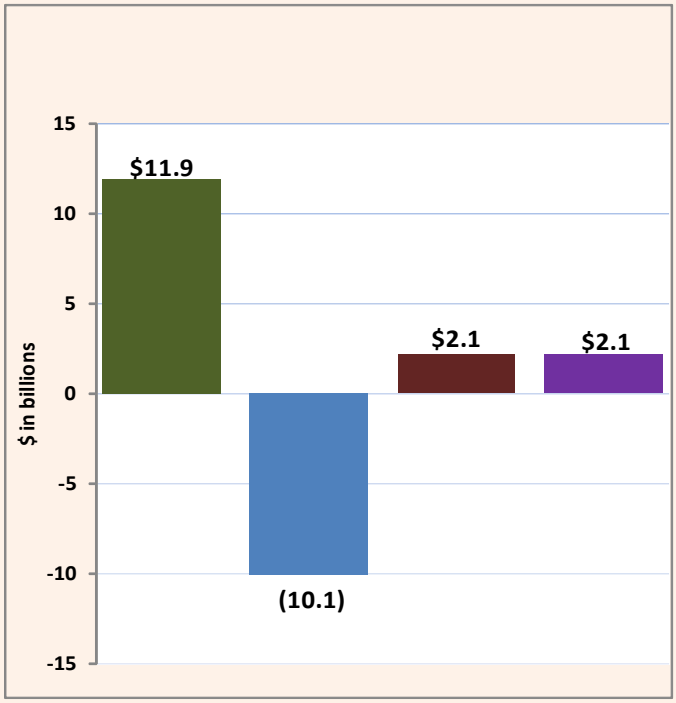


Fund Balance with Treasury
Decrease primarily attributable to increased rescissions, funds sequestered and payments for Recovery Act activities.

Loans and Loan Guarantees
Increase primarily from $2.7 billion of disbursements on 13 loans. Offset primarily by ($1.0) billion in principal repayments, $0.1 billion in capitalized interest and ($0.3) billion decrease in present value.

Investments
Increase is primarily from fees collected and investment income received by the Nuclear Waste Fund (NWF) in excess of current expenses, which are invested in U.S. Treasury securities.

Chart 3: FY 2013 Significant Changes in Liabilities



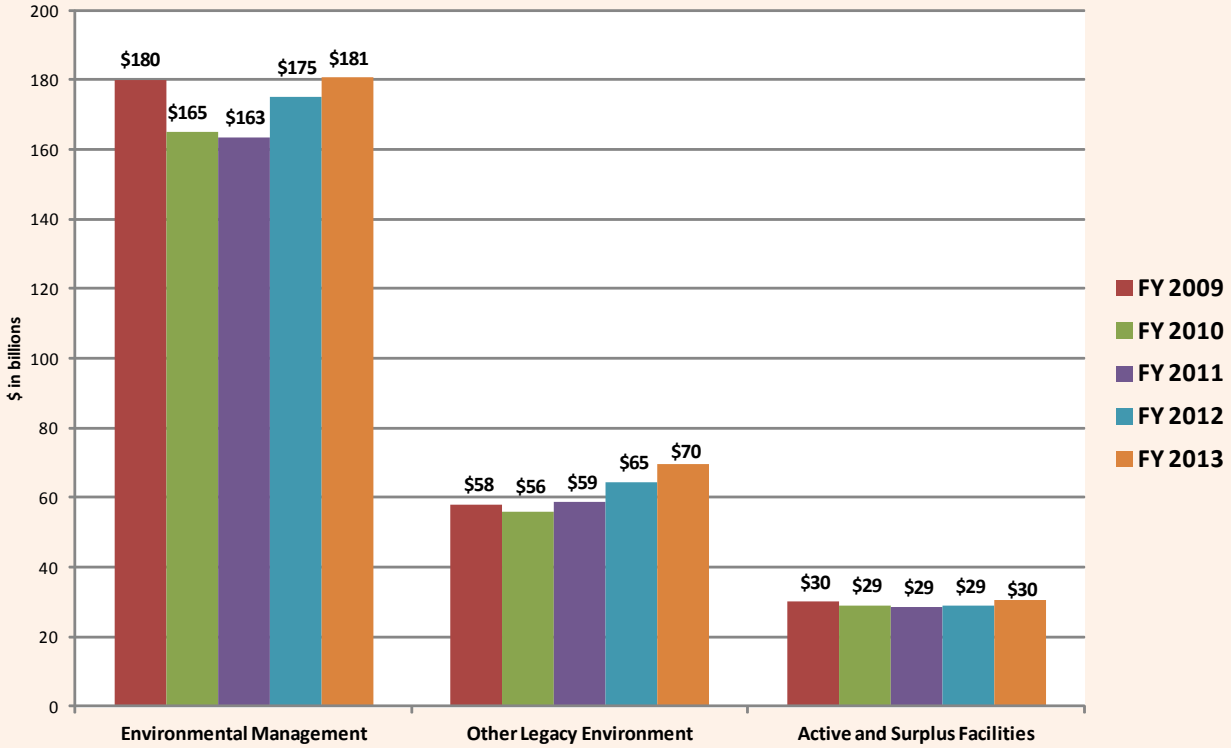
Environmental Cleanup
Increase is primarily from updated liability estimates for changes in technical approach and scope of projects, inflation adjustments, and regulatory changes. The most significant increases were in the Department's estimates associated with the disposition of surplus plutonium and cleanup at the Hanford site.

Pension and Other Actuarial Liabilities
Contractor pension plan liabilities decreased by $7.3 billion and other postretirement benefits plan liabilities decreased by $2.8 billion. The most significant component of the pension plan and other postretirement benefits plan liabilities decrease resulted from an increase in the rate used to discount the liabilities to present value.

Debt
Increase attributable primarily to borrowing from the Federal Financing Bank to fund disbursements to loan recipients.

Deferred Revenues and Other Credits
Increase is primarily from fees billed, related accrued interest, and investment income in the NWF in excess of current expenses, which are recorded as increases to deferred revenue.

Chart 4: Composition of Environmental Cleanup and Disposal Liability



Net Cost of Operations

The major elements of net cost are shown in Chart 5. A breakdown of program costs (gross) by the Department's three programmatic goals, reimbursable work and other programs is provided in Chart 6.

The Department's overall net costs are primarily affected by changes in environmental and other unfunded liability estimates. Since these estimates mostly relate to past years of operations, they are not included as current year program costs, but rather reported as "Costs Not Assigned" on the *Consolidated Statements of Net Cost*. Components of the FY 2013 unfunded liability estimate changes are shown in Chart 7.

A net increase to the Department's environmental liability estimates during fiscal year 2013 resulted from inflation adjustments to reflect constant dollars for the current year; improved and updated estimates for the same scope of work, including changes resulting from deferral or acceleration of work; revisions in technical approach or scope; and regulatory changes. The most significant increases were in the Department's estimates associated with the disposition of surplus plutonium and cleanup at the Hanford site (see Chart 4).

The Department's FY 2013 unfunded liability estimates decreased by $7.3 billion for contractor pension plans and decreased by $2.8 billion for contractor postretirement benefits other than pensions (PRB) plans. The major components of these estimate changes are shown in Chart 8. The most significant component of the change in the contractor pension plan liabilities and contractor PRB plan liabilities resulted from an increase in the rates used to discount the liabilities to present value. These discount rates are based on the yields of high-quality fixed income securities as of September 30, 2013 and 2012. In addition, the investment return on the pension assets was greater than expected which also contributed to the reduction in unfunded liability as did a number of plan changes made by contractors during the year in an effort to control the future cost growth associated with these benefits. There were also changes in both pension and PRB liabilities because of differences in actual plan experience for the year compared to the actuarial assumptions for rates of retirement, termination of employment, compensation increases, health care inflation, and other demographic factors, including changes made to those assumptions to better reflect anticipated future experience.

Chart 5: Major Elements of Net Cost

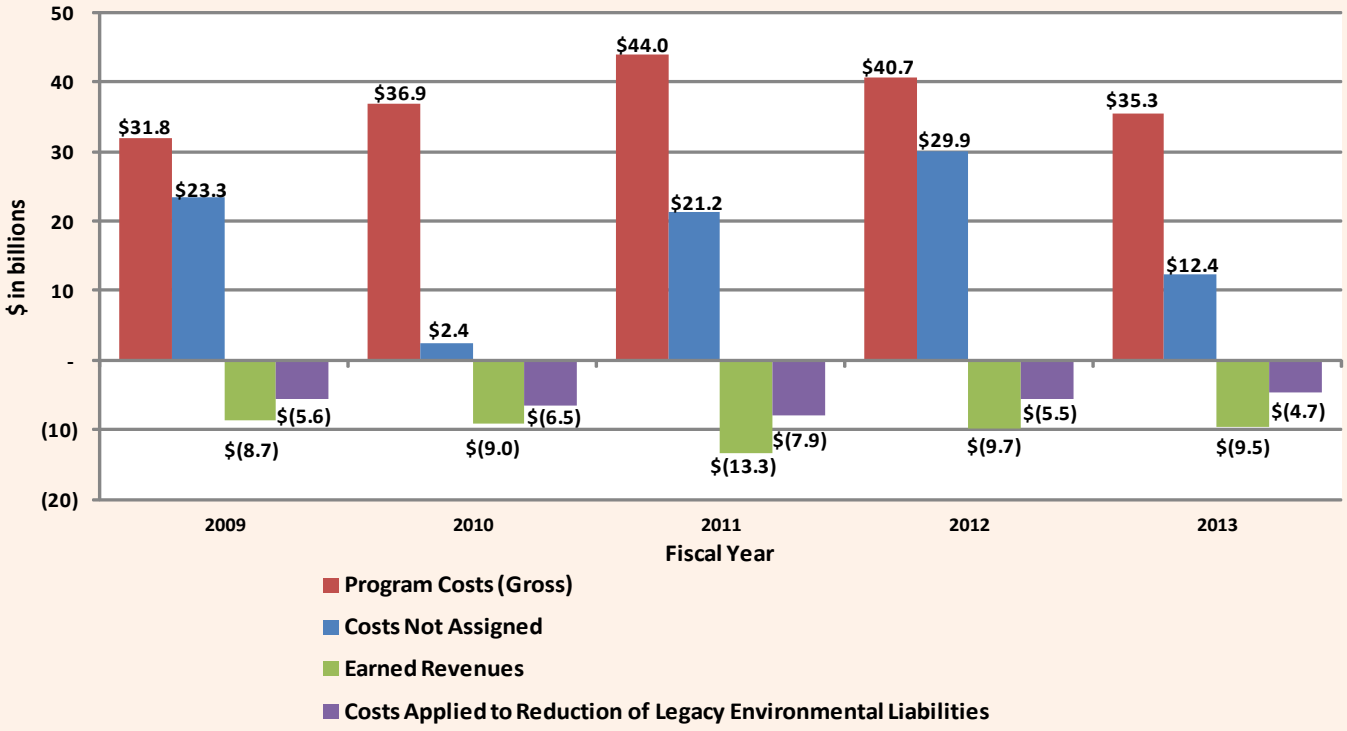


Chart 6: FY 2013 Program Costs (Gross)

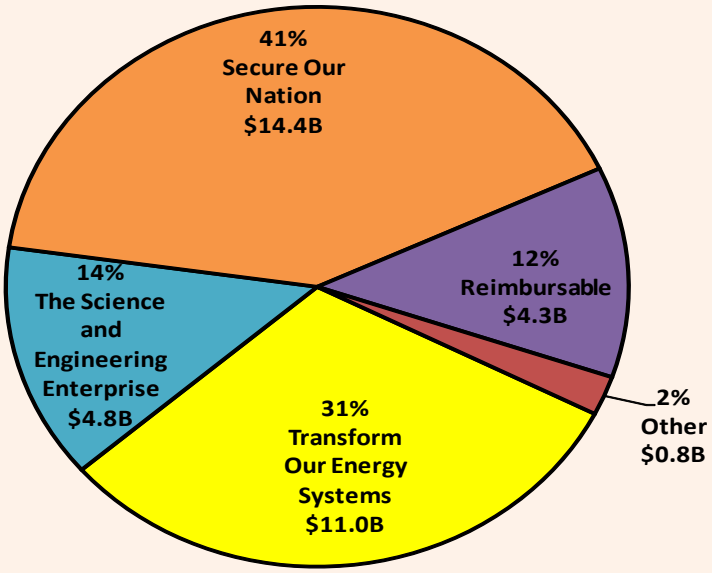


Chart 7: Major Elements of Costs Not Assigned

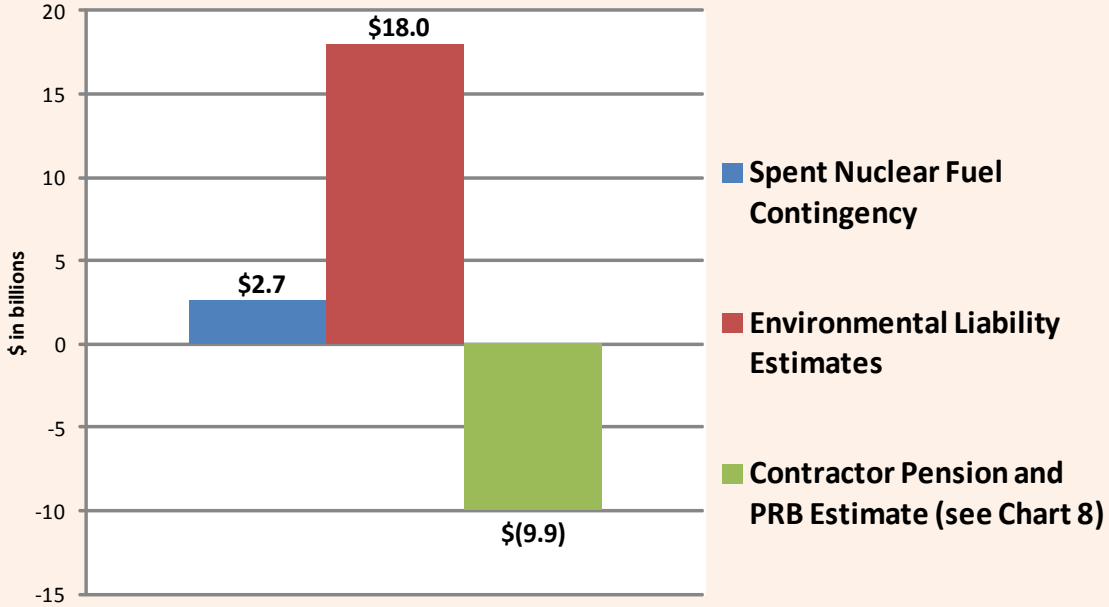
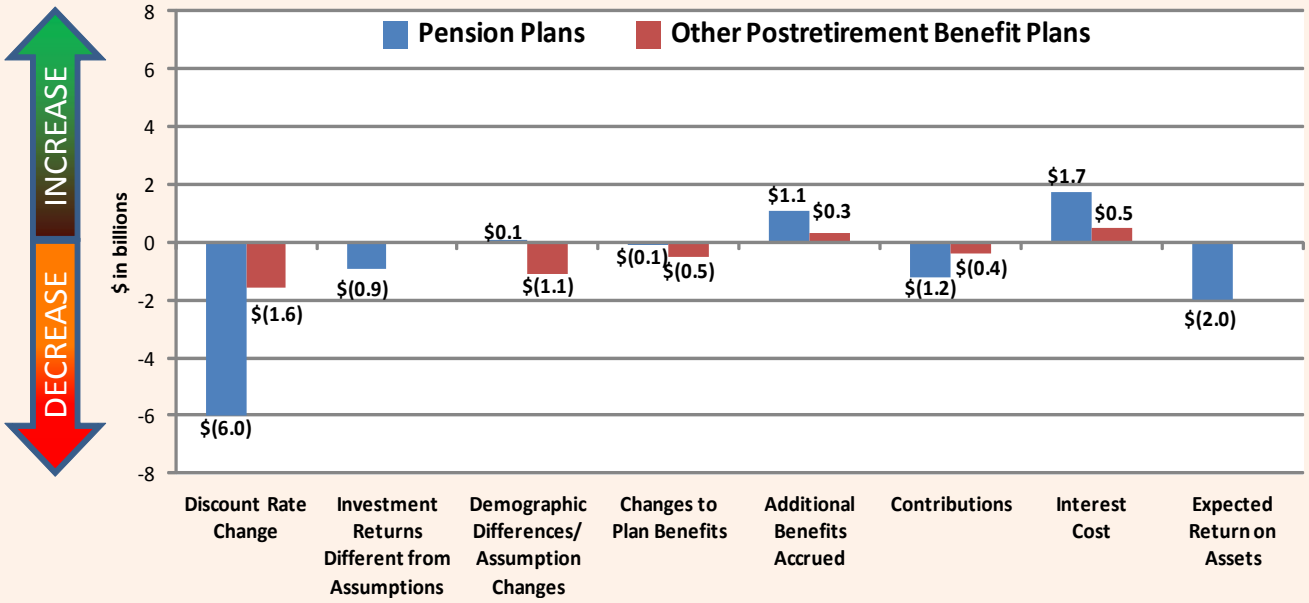


Chart 8: FY 2013 Contractor Employee Pension and Other Postretirement Benefit Plans Liability Estimate Changes



Budgetary Resources

The *Combined Statements of Budgetary Resources* provide information on the budgetary resources available to the Department for the year and the status of those resources at the end of the fiscal year. The Department receives most of its funding from general government funds administered by the Department of the Treasury (Treasury) and appropriated for Energy's use by Congress. Since budgetary accounting rules and financial accounting rules recognize certain transactions at different points in time, Appropriations Used on the *Consolidated Statements of Changes in Net Position* will not match costs for that period. The primary difference results from recognition of costs related to changes in unfunded liability estimates. Budget authority from adjusted appropriations decreased in FY 2013 by $1.5 billion from FY 2012.

As shown in Chart 9, the Department's Obligations Incurred decreased by $1.0 billion from FY 2012.

Chart 9: Obligations Incurred

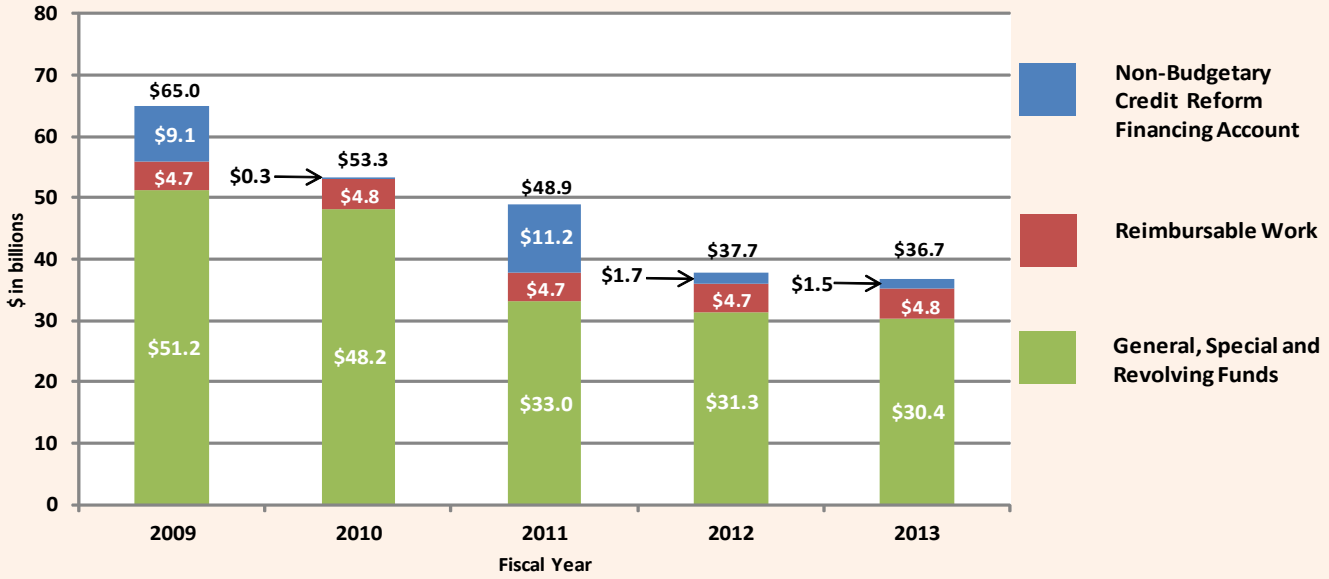


Chart 10: Recovery Act Appropriations, Obligations and Outlays

(Cumulative amounts through FY 2013 below exclude the Western Area and Bonneville Power Administrations' borrowing authority and credit reform financing accounts)

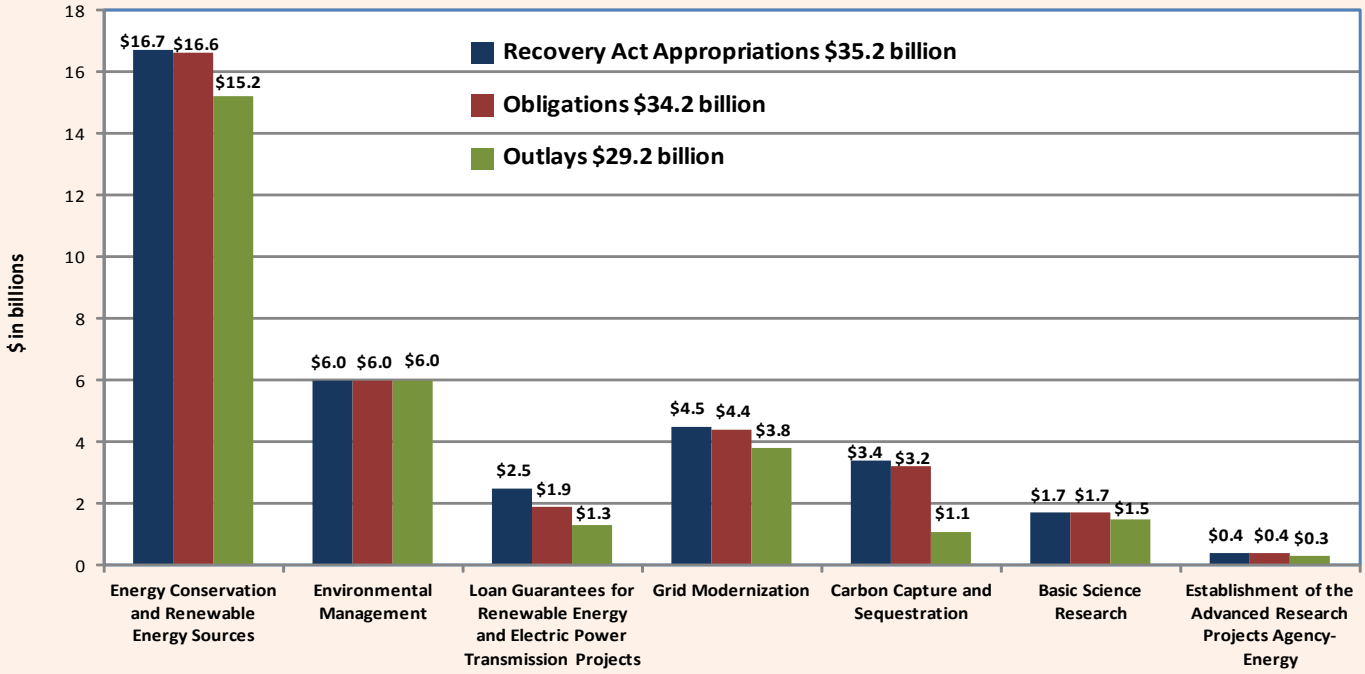


Chart 11: Linking Strategic Goals, Objectives, Budget and Cost

STRATEGIC GOALS*	STRATEGIC OBJECTIVE	BUDGETARY EXPENDITURES INCURRED[a c] ($ IN BILLIONS)		PROGRAM COST[b c] (GROSS IN BILLIONS)	
		FY 2013	FY 2012	FY 2013	FY 2012
Transform Our Energy Systems	Deploy the technologies we have	$ 12.6	$ 19.7	$ 7.6	$ 11.2
	Discover the new solutions we need	3.2	3.8	3.2	3.9
	Lead the National conversation on energy	0.2	0.2	0.2	0.2
The Science and Engineering Enterprise	Extend our knowledge of the natural world	2.8	2.5	3.1	3.2
	Deliver new technologies to advance our mission	2.1	2.2	1.7	1.7
	Sustain a world-leading technical workforce	-	-	-	-
Secure Our Nation	Support the U.S. nuclear stockpile and future military needs	7.1	7.3	6.5	7.0
	Reduce global nuclear dangers	2.3	2.6	1.7	1.7
	Apply our capabilities for other critical national security missions	1.3	1.3	1.2	1.3
	Support responsible civilian nuclear power development and fuel cycle management	0.2	0.4	0.2	0.2
	Complete environmental remediation of our legacy and active sites	5.4	6.3	4.7	5.4

* Strategic Goals established in May 2011 Strategic Plan

a *Budgetary Expenditures Incurred are amounts accrued or paid for services performed, goods and tangible property received, or for programs for which no current service is required such as loans. Budgetary Expenditures are obtained from the Budgetary Standard General Ledger and are reported/recorded based on budgetary accounting rules. Includes capital expenditures but excludes such items as depreciation, changes in unfunded liability estimates, and certain other non-fund costs and allocations of Department Administration activities.*

b *Program Costs (Gross) are taken from the Department's Consolidated Statements of Net Cost.*

c *Budgetary Expenditures and Program Cost include Recovery Act amounts.*

Analysis of Systems, Controls and Legal Compliance

Management Assurances

The Department of Energy management is responsible for establishing and maintaining an effective system of internal controls to meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA). To support management's responsibilities, the Department is required to perform an evaluation of management and financial system internal controls as required by Sections II and IV, respectively, of FMFIA, OMB Circular A-123, Management's Responsibility for Internal Control, and internal controls over financial reporting as required by Appendix A of the Circular. The following assurances are made based on the results of these evaluations, which are reflected in reports and representations completed by senior accountable managers within the Department.

The Department has completed its evaluation of management and financial system internal controls. Based on that assessment, as of September 30, 2013, the Department provides a qualified assurance that management internal controls over the effectiveness and efficiency of operations and compliance with applicable laws and regulations were operating effectively in their design or operation. The qualified assurance results from two material weaknesses.

(1) The FY 2012 breach in security at the Y-12 National Security Complex. As reported in the FY 2012 management assurance, the breach revealed a systemic problem in processes at the site. The Department took immediate actions for remediation. Special reviews and investigations were conducted. Extensive personnel, policy, procedural, and asset replacement actions have been completed with additional actions planned. We continue to report the physical protection of special nuclear material as a material weakness in FY 2013 out of an abundance of caution until these actions are completed, comprehensive follow-up reviews by the Office of Health, Safety and Security scheduled for 2014 are completed, and the results are assessed.

(2) Unclassified information system cybersecurity. With the rapid growth of potential cyber threats, the cybersecurity events experienced over the past year, the repetitive nature of identified weaknesses, and the Department's responsibilities for national and nuclear security, basic research, and other sensitive business, we are taking the increased risk of a significant cyber issue very seriously. Consequently, the Department is taking a pro-active approach to protecting the Department's sensitive information by treating the unclassified information system cybersecurity control environment as a material weakness. The Inspector General recently reported weaknesses and vulnerabilities that continue to expose the Department's unclassified information systems to a higher than necessary risk of compromise. The weaknesses included security reporting, access controls, patch management, system integrity, configuration management, segregation of duties, and security management. The Department has taken immediate corrective actions. Special reviews are being conducted including a 120-day study of all Federal information technology service delivery. Enhancements were made to the continuous monitoring program including increasing real-time cyber readiness transparency to the Department's Joint Cybersecurity Coordination Center, the Chief Information Officer, and to the Department's senior leadership through the Business Quarterly Review. Additionally, a senior leadership Cyber Council has been established as the principal forum for coordination of cyber-related strategies across the enterprise.

Evaluation results also indicated that the Department's financial systems generally conform to governmental financial system requirements and substantially comply with requirements of the Federal Financial Management Improvement Act (FFMIA).

In addition, the Department is providing reasonable assurance that internal controls over financial reporting as of June 30, 2013, were working effectively and no material weaknesses were identified in the design or operation of the specific controls over financial reporting. This assessment and evaluation of internal controls over financial reporting includes safeguarding assets and compliance with applicable laws and regulations, as required by Appendix A of OMB Circular A-123 and Departmental requirements. The evaluation required an assessment of both entity and process controls.

The Department is responsible for establishing and maintaining adequate internal controls (including safeguarding of assets and compliance with applicable laws and regulations) over all of the Department's American Recovery and Reinvestment Act (ARRA) funding. Controls have been established to ensure that the following critical objectives are met: (1) ARRA funding has been expended for the intended purposes and in accordance with internal and external guidance; (2) reported results regarding the expenditures of funds and the outcomes achieved are accurate and verifiable; and (3) key processes affecting the execution of ARRA funding have been evaluated and are deemed effective.

The Department continues to address the material weaknesses and continues its work to address Management Priorities. These Management Priorities represent the most important strategic management issues facing the Department in accomplishing its mission now and in the coming years.

Ernest J. Moniz
December 10, 2013

Federal Managers' Financial Integrity Act

The Federal Managers' Financial Integrity Act (FMFIA) of 1982 requires that agencies establish internal controls and financial systems to provide reasonable assurance that the integrity of Federal programs and operations is protected. Furthermore, it requires that the head of the agency provide an annual assurance statement on whether the agency has met this requirement and whether any material weaknesses exist.

In response to the FMFIA, the Department developed an internal control program which holds managers accountable for the performance, productivity, operations and integrity of their programs through the use of internal controls. Annually, senior managers at the Department are responsible for evaluating the adequacy of the internal controls surrounding their activities and determining whether they conform to the principles and standards established by the OMB and the Government Accountability Office (GAO). The results of these evaluations and other senior management information are used to determine whether there are any internal control problems to be reported as material weaknesses. The Departmental Internal Control and Audit Review Council, the organization responsible for oversight of the Internal Control Program, advises the Secretary on the Statement of Assurance.

The Department's evaluation for FY 2012 identified a material weakness in the operation of its management of internal controls regarding a breach in security at the Y-12 National Security Complex (Y-12). The material weakness continues to be reported in FY 2013 out of an abundance of caution until comprehensive follow-up reviews by the Office of Health, Safety, and Security scheduled for 2014 are completed and the results are assessed. Actions taken or planned to strengthen the physical protection of special nuclear material as a result of the Y-12 breach are discussed under the Security management priority.

The Inspector General reported weaknesses and vulnerabilities that continue to expose the Department's unclassified information systems to a higher than necessary risk of compromise. The weaknesses included security reporting, access controls, patch management, system integrity, configuration management, segregation of duties, and security management. With the rapid growth of potential cyber threats, the cybersecurity events experienced over the past year, and the Department's responsibilities for national and nuclear security, basic research, and other sensitive business, we are taking the increased risk of a significant cyber issue very seriously. Consequently, the Department is taking a pro-active approach to protecting the Department's sensitive information by treating the cybersecurity of the unclassified information system environment as a material weakness. Actions taken as a result of the information technology material weakness are discussed under the Cybersecurity management priority.

OMB Circular A-123, Appendix A

The issuance of Appendix A of OMB Circular A-123 provides specific requirements to agencies for conducting management's assessment of internal control over financial reporting. The Department's evaluation for FY 2013 did not identify any material weaknesses in financial controls as of, or subsequent to, June 30, 2013.

Federal Financial Management Improvement Act

The Federal Financial Management Improvement Act of 1996 was designed to improve Federal financial management and reporting by requiring that financial management systems comply substantially with three requirements: (1) Federal financial management system requirements; (2) applicable Federal accounting standards; and (3) the United States Government Standard General Ledger at the transaction level. Furthermore, the Act requires independent auditors to report on agency compliance with the three stated requirements as part of financial statement audit reports.

The Department has evaluated its financial management systems and has determined that they substantially comply with Federal financial management systems requirements, applicable Federal accounting standards and the United States Government Standard General Ledger at the transaction level.

American Recovery and Reinvestment Act

The American Recovery and Reinvestment Act (Recovery Act) was enacted to jumpstart our economy, create or save millions of jobs, and put a down payment on addressing long-neglected challenges so our country can thrive in the 21st century. The Recovery Act included measures to modernize our Nation's infrastructure, enhance energy independence, expand educational opportunities, preserve and improve affordable health care, provide tax relief, and protect those in greatest need.

The Department has established and maintained adequate internal controls to ensure that: (1) Recovery Act funding has been expended for the intended purposes and in accordance with internal and external guidance; (2) reported results regarding the expenditure of Recovery Act funds and the outcomes achieved are accurate and verifiable; and (3) key processes impacting the execution of Recovery Act funding have been evaluated and are deemed effective.

Management Priorities

The Department carries out multiple complex and highly diverse missions. Although the Department is continually striving to improve the efficiency and effectiveness of its programs and operations, there are some specific areas that merit a higher level of focus and attention. These areas often require long-term strategies for ensuring stable operations and represent the most daunting management priorities the Department faces in accomplishing its mission.

The Reports Consolidation Act of 2000 requires that, annually, the Inspector General (IG) prepare a statement summarizing what they consider to be the most serious management and performance challenges facing the Department. These challenges are included in the Other Information section of this report. Similarly, in FY 2013 the GAO identified four major management challenges and program risks to be addressed by the Department.

The Department, after considering all critical activities within the agency and those areas identified by the IG and GAO, has identified seven management priorities that represent the most important strategic management issues facing the Department now and in the coming years. In FY 2012, the Department reported nine management priorities. The reduction to seven represents the combination of Acquisition Process Management and Contract and Project Administration priorities to Acquisition and Project Management and the elimination of the Recovery Act priority in light of the progress that has been made on Recovery Act projects. Two of the other priorities have name changes to more accurately reflect the intent of the management priority: "Nuclear Waste Disposal" has been changed to "Used Fuel and High Level Waste Disposal" and "Safety and Health" has been changed to "Safety Culture."

ACQUISITION AND PROJECT MANAGEMENT

Key Challenges: The Department of Energy is the largest civilian contracting agency in the Federal Government and spends approximately 90% of its annual budget on contracts to operate its scientific laboratories, engineering and production facilities, and environmental restoration sites and acquire capital assets. The Department has been challenged, both externally and internally, to improve the efficiency and effectiveness of its acquisition management processes. Since 1990, the Department has been on the GAO High-Risk List for inadequate contract and project oversight and management, hereinafter referred to as acquisition management. A July 2009 report by the National Academy of Public Administration identified systemic challenges and other areas where improvements could be made to facilitate DOE's acquisition processes. In addition, the DOE Inspector General has identified contract management as a management challenge and has issued two additional reports on DOE's acquisition workforce. DOE, through its own internal assessments, has determined that it needs to improve the quality of both its procurement systems across the complex and the procurement transactions which they produce. During the past several years, the Department has launched and completed several initiatives to address its challenges in acquisition management, including a Root Cause Analysis (RCA) and associated Corrective Action Plan (CAP), Contract and Project Management Summit-related corrective actions, and issuance of several Deputy Secretary policy directives. Vulnerabilities will be eliminated or mitigated by the initiatives implemented.

Departmental Initiatives: Significant progress has been made in addressing this management priority. The majority of corrective measures have been completed and will improve the way contracts are awarded and administered. The major enhancements in DOE's acquisition and project management practices resulting from the RCA and CAP efforts include: improving front-end planning by requiring sufficient design maturity prior to establishing performance baselines; defining required project staff size and required skill set across the project lifecycle and enhancing training and qualifications of project and contract management personnel; stabilizing project funding and affordability by adhering to baseline funding profiles for incrementally funded projects in annual budget requests; strengthening DOE Order 413.3B inclusive of new independent cost estimating requirements at Critical Decision gateways; deploying a new and more robust Project Assessment and Reporting System which allows for direct upload of contractor project performance data in order to eliminate errors and delays inherent in the original system and enhance data reliability; and implementing Project Peer Reviews, a best practice successfully employed by the Office of Science, across the Department to better monitor project development and execution and foster sharing of design, procurement, and construction lessons learned.

The major enhancements in DOE's acquisition management practices resulting from the Contract and Project Management Summit include: issuance of new policies such as the Change Control Management Guide (DOE Guide 413.3-20) and a revised DOE Acquisition Guide Chapter 42.5, Contract Management Planning; Contracting Officer's (CO) and Contracting Officer Representative's (COR) tool kit to clarify and strengthen CO and COR roles, responsibilities, and oversight functions; and more in-depth guidance on the development of Performance Evaluation Management Plans (PEMPs) by contract and project teams. The issue of staffing of DOE projects is considered mitigated. The Department will conduct staffing reviews of projects at critical decision points. Mobility agreements, Army Corps of Engineers and Naval Facility Engineering Command

staffs, and support service contracts are viable ways for the Department to increase project staffing levels.

Continuous improvements in acquisition management in the Department will be implemented by the Department's Program staff/support offices. Effective January 2013, the project and contract management oversight offices within the Office of Management, the Office of Engineering and Construction Management and Office of Procurement and Assistance Management, respectively, were merged into the Office of Acquisition and Project Management (OAPM). This complemented the consolidation of like functions into Acquisition and Project Management (APM) offices within both the National Nuclear Security Administration (NNSA) and the Office of Environmental Management (EM), initiated in FY 2011. These APM organizations are working to collaboratively address improvement initiatives. The Department's focus on contract and project management improvement will continue with the goal of consistent and sustainable project success.

Based on the Department's progress, GAO narrowed the scope of the high-risk designation in 2009, removing the Office of Science and focusing on the NNSA and EM. GAO issued a scorecard with five criteria for removing all DOE programs from the High-Risk List: (1) Demonstrate strong commitment and leadership; (2) Demonstrate progress in implementing corrective measures; (3) Develop a corrective action plan that identifies root causes, effective solutions, and a near-term plan for implementing the solutions; (4) Have the capacity (people and resources) to resolve problems; and (5) Monitor and independently validate the effectiveness and sustainability of corrective measures. GAO acknowledged the Department met three of these criteria in its February 2011 High-Risk List update. In its February 2013 High-Risk List update, GAO acknowledged the Department's continuing improvement in contract and project management by shifting the focus of DOE's high-risk designation to major contracts and projects executed by NNSA and EM with values of $750 million or greater.

OAPM continues to monitor RCA/CAP corrective measures to ensure their sustainability and project success performance metrics are reported to Departmental leadership, OMB, and GAO, annually. The Department's project success metric is to deliver projects to completion at the original scope with no greater than a 10% cost increase. For all new construction projects baselined after the RCA/CAP initiative started in October 2007, 96% of projects during the FY 2010-2012 timeframe were completed successfully. Clearly, DOE's trend shows a positive increase in the percentage of projects completed successfully. In the area of Project and Contract Alignment and Change Control, OAPM and EM APM collaborated in the development of a stand-alone course for managing contract/project changes which is expected to significantly improve the Department's post-award management of contracts. Eleven sessions were delivered in FY 2012 at various DOE sites; seven courses were delivered in FY 2013. Feedback on the course from attendees has been consistently positive. In addition, OAPM is continuing to support Government-wide initiatives aimed at building and strengthening the acquisition workforce.

To further emphasize the importance of Project and Contract Alignment and Change Control, OAPM issued an update to the DOE Acquisition Guide Chapter 43.3 in March 2013. This chapter provides guidance on how COs should manage contract changes, and how COs and Federal Project Directors (FPDs) should maintain alignment between project and contract management under non-M&O cost reimbursement contracts for capital asset projects, environmental remediation, decontamination and decommissioning, facility operations, and other projects. This was followed by a memorandum from the Deputy Secretary on April 22, 2013, which reinforced the accountability of FPDs, COs, and Program Managers for maintaining adequate contract and project documentation by ensuring it is complete, up-to-date, and auditable.

OAPM officials support the programs and their acquisition officials during the acquisition concept phase to help build their requirements and provide advice and recommendations. OAPM's engagement from the beginning of each major acquisition and its continued assistance throughout the entire acquisition cycle is significantly enhancing the success of the program and facilitating more timely awards and post-award management.

In FY 2013, to help the Department in its ongoing efforts to improve contract administration so that projects can be completed on time and within cost, the Department's Acquisition Guide Chapter 42.5 was revised to provide enhanced guidance to the acquisition workforce on the development and execution of Contract Management Plans. This guidance, including a Contract Management Plan template, will serve to help ensure appropriate surveillance and oversight by members of the acquisition workforce charged with administering contracts. A new Acquisition Guide Chapter 16.2 was issued that provides more in-depth guidance on the development of PEMPs by contract and project teams. The chapter provides guidance and examples to assist acquisition professionals in the development of performance goals, evaluation factors/criteria, and administrative duties such as evaluating team members.

To raise awareness of the Department's efforts to support strategic sourcing of various commodities, and to provide guidance to the acquisition workforce on implementing strategic sourcing, OAPM released a new Acquisition Guide Chapter 7.2 in June 2013 addressing the subject. The chapter provides a consistent approach

to strategic sourcing across the Department by providing a set of guiding principles, identifying various strategic sourcing instruments and tools available for use by the DOE/NNSA acquisition workforce, and promoting strategic sourcing with small businesses to the maximum practicable extent.

Reinforcing the critical importance of continuing to improve acquisition planning and contract management, the Deputy Secretary issued a memorandum dated December 13, 2012, to Heads of Departmental Elements. It recognized that while the Department has made substantial efforts to improve project management, it is still experiencing significant delays and cost overruns in major capital projects. The memorandum centers around two principles – we must always seek to align contractor interest with the taxpayer's interest, and we must structure contracts so that each party to a contract bears responsibility for its own actions. The memorandum provides specific guidance and direction on implementing the principles.

OAPM is actively promoting the Deputy Secretary's charge to align contract incentives through a multi-pronged approach. It is working closely with program offices to facilitate robust upfront planning and requirements definitions, and promoting close collaboration between program officials and contracting officers. They are identifying candidate projects that have historically been contracted on a cost-reimbursement basis to determine if they can be segregated into smaller, more defined elements to facilitate acquisition on a firm fixed-price basis. Coupled with promoting greater use of fixed-price contracts, OAPM is reinforcing the importance of using objective performance measures to incentivize optimal performance and reduce costs, in cases where a fixed-price contract is not deemed the most suitable instrument for the requirement. Finally, OAPM is strongly promoting the use of fee strategies that ensure each party in a contract bears responsibility for its own actions, including use of provisional fees, hard cost caps, and a cost share approach. These efforts are being accomplished through OAPM's early involvement with programs as they develop acquisition strategies, reinforced in training events such as DOE's December 2012 Acquisition Workshop, monthly Heads of Contracting Activity and Procurement Director calls, business clearance reviews, and Procurement Management Reviews.

SECURITY

Key Challenges: Ensure the security of national assets entrusted to the DOE and classified information related to nuclear weapons while striving to enhance the Department's productivity to achieve mission objectives. The security breach at the Y-12 National Security Complex (Y-12) in July 2012 and the results of the extent of condition reviews directed by the Secretary for all Category I Special Nuclear Material (SNM) sites demonstrate the need for continued vigilance and improvement.

Departmental Initiatives: In FY 2013, Departmental elements continued implementing security reforms through senior Departmental leadership, worker and stakeholder engagement, and use of operational experience to establish and strengthen lines of communication, seek feedback, and resolve areas of concern. DOE program and staff offices continue to validate the technical basis and soundness of their safeguards and security programs within the context of the reforms. Where applicable, revisions were, and continue to be, incorporated into organizational safeguards and security procedures and site contracts. Training continues to be provided where necessary. Independent oversight activities were further focused on Departmental sites and laboratories that maintain significant amounts of SNM and/or classified information, or have demonstrated poor performance. Additionally, the Department continued reducing site and laboratory security footprints to meet the Graded Security Protection (GSP) Policy by consolidating and improving SNM storage facilities, eliminating or releasing for general use facilities that previously required safeguarding, and restructuring security management systems. Following the July 2012 security breach at Y-12, the NNSA conducted an initial assessment of the event and the Office of Health, Safety and Security (HSS) conducted a comprehensive independent oversight safeguards and security inspection, including force-on-force performance testing, at the site. In April 2013, HSS conducted a progress assessment at Y-12 to evaluate the status of corrective action implementation. In collaboration with NNSA and the Offices of Science, Environmental Management, and Nuclear Energy, HSS completed safeguards and security extent of condition reviews at all Category I SNM sites in the first quarter of FY 2013 to determine whether issues identified at Y-12 were present at other Category I SNM sites. HSS also completed independent oversight inspections that included force-on-force, no-notice, and limited notice performance testing at seven of nine Category I SNM sites in FY 2013. NNSA conducted a review of their Federal organization and oversight of security operations. Lessons learned and findings from the assessments, inspections, and reviews are being used to implement security reforms and corrective actions to address program weaknesses.

In FY 2014, the Department will continue institutionalizing safeguards and security reforms through the following initiatives:

- Continue maximizing the use of national and international consensus standards where applicable and ensure DOE requirements are based on credible threats, and are meaningful, clear, and concise;
- Continue streamlining the access authorization process while providing oversight and guidance for the issuance of credentials that support both physical and logical

access under the DOE Identity Credentialing and Access Management program (ICAM);
- Continue implementing the requirements of the GSP Policy by updating risk acceptance and vulnerability assessment processes, deploying cost-effective security measures, and consolidating and improving nuclear material storage facilities;
- Review and assess key elements of the U.S. Nuclear Weapons Physical Security Program with the Department of Defense to "harmonize" security practices leading to a common basis for protection of nuclear weapons and special nuclear material at the national level; and allow better communication and transparency with key decision makers in Congress and the Executive Branch;
- Maintain effective levels of security expertise throughout the Department by providing security training and professional development programs through the National Training Center;
- Foster improvements to security performance by clarifying roles and responsibilities for Federal and contractor line management;
- Continue conducting safeguards and security self-assessments, and implementing the independent oversight and classified information security enforcement programs to maintain stakeholder and public confidence;
- Complete comprehensive independent oversight safeguards and security inspections, including force-on-force, no-notice, and limited notice performance testing, at the remaining two Category I SNM sites in early FY 2014;
- Continue to monitor actions taken across the DOE complex in response to the Y-12 incident through independent oversight inspections and performance testing. These activities will include a review of the NNSA Headquarters corrective actions and a follow-up inspection at Y-12; and
- Implement an insider threat program as required by Executive Order 13587.

ENVIRONMENTAL CLEANUP

Key Challenges: Environmental Management's (EM) mission is to clean up the environmental legacy of nuclear weapons production and nuclear energy research. Fifty years of conducting these activities produced unique, technically complex problems. These problems must be solved under exceptionally hazardous conditions and will require billions of dollars a year over several decades to complete the work.

Technical and programmatic risks and associated uncertainties are an inherent part of complex cleanup projects. The process of characterizing legacy sites to identify the nuclear and other hazardous wastes that remain and tearing down facilities, removing hazardous materials, stabilizing waste streams to prevent additional environmental damage, and restoring the sites to conditions required by legal agreements can last for decades and often requires first-of-a-kind solutions. EM's cleanup work at most sites is governed by one or more regulatory agreements or court orders that establish the scope of work to be performed at a given site and the dates by which specific cleanup milestones must be achieved. Compliance with these agreements and orders is one of the major cost drivers for the EM program.

The legacy of the Manhattan Project and the Cold War plus byproducts of the U.S. nuclear fuels programs for power facilities, post Cold War defense purposes, and nuclear energy research have created a backlog of excess contaminated facilities, materials and wastes requiring cleanup and disposition. EM has established a procedure to integrate the remediation and disposition of these environmental liabilities into its existing program.

As a result of the age and diversity of past secret research, this legacy condition encompasses a level of uncertainty regarding the amount and composition of waste and about the nature and extent of environmental contamination. Initial regulatory milestones were developed based on the best information about a site's condition available at the time, recognizing that further characterization was needed. As each site is characterized by EM, the scope, complexity, and duration of the potential cleanup work is better defined. The Department uses that improved understanding to initially negotiate or revise milestones and remedy decisions with the U.S. Environmental Protection Agency and state regulators, with stakeholder involvement. The Department attempts to balance the goals of protecting human health, protecting the environment, and maintaining cost effectiveness within the negotiation and decision-making process.

Departmental Initiatives: The Department will continue its environmental cleanup mission with the following ongoing initiatives. The GAO February 2013 High-Risk Series Update report to Congress acknowledged improved performance at EM sites and documented that the GAO had narrowed its focus on EM to major contracts and projects valued at $750 million or greater. EM continues the following activities to improve its performance:
- In accordance with applicable statutes and implementing regulations, evaluate federal facility agreement cleanup milestones, permits, and proposed decisions within existing regulatory frameworks and interface with regulators and stakeholders to ensure they result in protectiveness of human health and the environment while appropriately balancing cost;
- Continue to develop and deploy new and innovative technologies, approaches, and modeling capabilities resulting in significant improvements in safety as well as cost and schedule savings;
- Expanded the use of project peer reviews and

continues independent contract and project reviews, construction project reviews, and external independent reviews to keep contracts and projects aligned and on track. In FY 2013, EM completed a total of 25 such project reviews;

- Continue to improve the implementation of requirements for integrated project and contract change control. All contracting officers and over 90% of Federal Project Directors have completed the contract changes training. EM also tracks the progress on goals and metrics for improved management of project and contract changes. Improvements have been made in establishing well-defined project baselines for acquisition executive approvals;
- EM is partnering with national laboratories, industry, academia, and the U. S. Army Corps of Engineers to ensure the best scientific and engineering resources are used. As a result, the selected technology, design, and construction approaches are expected to help reduce risk and accelerate project completion for new projects. For legacy projects, EM is getting advice from the Nation's best and brightest scientific and technical expert panels to get a better understanding of the remaining issues and develop the most cost effective path forward for project completion;
- In accordance with the Department's policy of aligning taxpayer interests with contractor interests, acquisition teams first consider the use of a firm-fixed price contract to complete work requirements. This contract type is most appropriate for services that can be objectively defined. Using firm-fixed price contracts benefits EM by placing the appropriate amount of risk and responsibility on the contractor and provides maximum incentive for the contractor to control costs and perform efficiently;
- In instances where a contracting officer concludes that a firm-fixed price contract may not be the best contracting vehicle, the acquisition team first identifies and determines the viability of conducting additional planning and risk reduction that would be needed to use a firm-fixed price approach before resorting to a cost-reimbursement contract;
- EM is improving its acquisition planning practice by focusing on achieving early consensus among key stakeholders about the acquisition strategy. Under the Procurement Strategy Panel process, stakeholder agreement on the acquisition approach is reached earlier in the planning stage of the procurement. The panel will implement the framework decided in the Acquisition Strategy meeting. This will serve as the Acquisition Plan. This reduces rework and drives efficiencies in the procurement process. Additionally, by working closely with EM's budget and planning offices and mission units, projected acquisition forecasts are aligned with the sites' budget profile ensuring more realistic scopes of work for contract opportunities;
- In accordance with DOE Policy 547.1, Small Business First Policy, approved December 14, 2012, the Department is committed to maximizing opportunities for small business contracts and subcontracts. The Small Business First Policy enforces compliance with the Small Business Act, ensures prime contracting opportunities are available to the maximum extent practicable to small business concerns, ensures the formal reporting of market research prior to approval of a contract action to other than a small business, and ensures accountability of contracting officers and program officials relative to approval of contract actions. EM exceeded the DOE annual small business goal;
- EM continues to strengthen the integration of acquisition, budget and project management processes so that contract statements of work and deliverables are based on clear project requirements and robust front-end planning and risk analysis. EM is also ensuring nuclear safety requirements are addressed early and modifications to the contract and project baseline are managed through strict and timely change-control processes;
- Project management initiatives have resulted in successful performance for EM capital cleanup projects. For the three-year period of FY 2011-2013, EM completed 41 of 50 (82%) capital cleanup projects within 110% of the total project cost. During the same period, 49 of 50 (98%) capital cleanup projects met the Departmental schedule metrics. EM will continue rigorous management, and application of DOE Order 413.3B for planning and execution of capital projects into FY 2014 and beyond. In addition, EM is establishing policies and guidance for managing the non-capital asset operations activities, e.g., approval authorities, performance goals and metrics, operations activity manager designation, and change control procedures;
- EM sites at Richland, Office of River Protection, Savannah River, Idaho, Portsmouth, Paducah, Oak Ridge, West Valley, Carlsbad, and Moab have signed partnering agreements with their major contractors. A total of fifteen agreements have been signed to date. Partnering agreements create win-win scenarios where both the Federal staff and contractor staff understand and respect the rules of engagement and build better business relationships. EM is working to build stronger relationships with oversight organizations to improve communications and demonstrate transparency and accountability in EM's contract and project management;
- As of 2012, the Office of Science (SC), the Office of Nuclear Energy (NE), and the National Nuclear Security Administration (NNSA) nominated for

possible transfer to EM, approximately 340 excess facilities, including materials and wastes no longer needed for current Departmental missions. After technical evaluations and assessments of the facilities and materials, EM agreed to accept 294 of the excess facilities for future transfer, but only when funding becomes available to perform the cleanup. When Recovery Act funding became available, 60 of these facilities were dispositioned and 13 more were cleaned out to prepare them for future demolition. If funding to pay for the associated surveillance, maintenance, and cleanup costs is provided, the balance of facilities, materials, and/or wastes will be formally transferred to the EM program. However, until such funding becomes available, the current owners, SC, NE, and NNSA respectively, retain ownership of the liabilities, and are responsible for any associated surveillance and maintenance costs. In addition, for any of the aforementioned excess facilities or materials, the Department's Facilities Information Management System (FIMS) shall continue to identify SC, NE and NNSA as the current owners of the excess liabilities;

- Since mid-2009, EM has used the $5.99 billion funding under the American Recovery and Reinvestment Act to accelerate environmental cleanup of contaminated facilities and lands and reduced the legacy footprint of the EM complex by 690 square miles, or 74% from 931 to 241 square miles as of the end of FY 2013. As of September 30, 2013, EM has completed 131 of the 134 projects/activities at 17 sites in 12 states, and has successfully executed 99.7% of Recovery Act funding and has entered into the final phase of the Recovery Act to close out the program; and
- DOE has developed a planning process that evaluates different cleanup and completion scenarios based on the changing external environment. The goal is to facilitate early planning and therefore maximize return on investment.

USED NUCLEAR FUEL AND HIGH-LEVEL WASTE DISPOSAL

Key Challenges: DOE is directed by the amended Nuclear Waste Policy Act of 1982 (NWPA) to manage and dispose of the nation's commercial and defense high-level waste and used nuclear fuel in a manner that protects public health, safety, and the environment. The NWPA authorizes the Secretary to enter into contracts with commercial nuclear utilities and commercial research reactor operators that own and generate used nuclear fuel. In return for the 1 mill per kilowatt-hour fee payment by utilities into the Nuclear Waste Fund, the government was to begin disposing of their spent nuclear fuel starting in 1998. Lawsuits have been filed by utilities to recover damages resulting from the delay. The Department of Justice has entered into settlements. To date, approximately $3.7 billion has been paid in claims and judgments to contract holders. Contract holders will continue to submit annual claims for additional costs under the settlement agreements, and additional annual payments will be made until the government has fulfilled its used fuel acceptance obligations. DOE reviews the claims and provides recommendations for approval to the Department of Justice. DOE continues to be the lead government witness for the remaining unsettled cases being tried and continues to manage the Nuclear Waste Fund with a balance of approximately $30.9 billion.

Departmental Initiatives: The Administration released its *Strategy for the Management and Disposal of Used Nuclear Fuel and High-Level Radioactive Waste* in January 2013. The Department continues with research and development, analytical, and planning activities that lay the groundwork for implementing the Strategy.

CYBERSECURITY

Key Challenges: Despite significant improvements in the cybersecurity posture of the Department, cyber attacks from highly-capable, malicious actors continue to increase in their complexity, frequency, and aggression. The Inspector General reported weaknesses and vulnerabilities that continue to expose the Department's unclassified information systems to a higher than necessary risk of compromise. The weaknesses included security reporting, access controls, patch management, system integrity, configuration management, segregation of duties, and security management. The Department has taken immediate corrective actions. Special reviews are being conducted, including a 120-day study of all Federal information technology service delivery.

DOE continues to address cybersecurity at an enterprise-level to ensure that DOE information assets and systems are adequately protected from harm. Senior DOE Management's support of a mission-based Risk Management Approach (RMA) continues to mature, which will provide appropriate mechanisms for protecting Departmental data by managing risk decisions at the mission-level while driving improvements where complex-wide systemic issues exist.

Departmental Initiatives: The DOE Cyber Council was established by the Energy Secretary in July 2013 and four meetings have occurred since its inception. Subsequent meetings will be quarterly or as required by the Chair (the Deputy Secretary). DOE's Cyber Council is the principal forum for coordination of activities across the Department and for consideration of cyber-related issues, such as the following that require decisions by the Chair of the Council:

- Protecting the DOE enterprise, including government-owned, contractor-operated sites and facilities, from a range of cyber threats that can adversely impact mission capabilities; and

- Improving cybersecurity in the electric power subsector and the oil and natural gas subsector.

The DOE Cyber Council is currently evaluating a number of recommendations for improving protection of the DOE enterprise. The Council may seek advice from Under Secretaries and program offices, from senior representatives from other elements of the U.S. Government, and from experts outside the U.S. Government, in a manner consistent with applicable law.

Other efforts underway in support of the Departmental initiatives include:

- On July 31, 2013, the Deputy Secretary signed the Cybersecurity Incident Management Improvements and the Joint Cybersecurity Coordination Center (JC3) Memorandum, which directed the consolidation of remaining enterprise cybersecurity monitoring, information sharing, reporting, and federal enterprise incident response activities into the JC3; and assigned governance, management, and operations to the DOE Office of the Chief Information Officer (OCIO);
- On August 22, 2013, the Designation of the Senior Agency Official for Information Sharing and Safeguarding Memorandum was signed by the Energy Secretary which ensures the Department's responsible sharing and safeguarding of classified and unclassified information on computer networks is consistent with protections for privacy and civil liberties; the CIO is designated as the DOE Senior Agency Official for Information Sharing and Safeguarding. This action implements Section 2.1 of Executive Order (E.O.) 13587, "Structural Reforms to Improve the Security of Classified Networks and the Responsible Sharing and Safeguarding of Classified Information," October 7, 2011;
- DOE is participating as an Early Engager in the Department of Homeland Security (DHS) Continuous Diagnostics and Mitigation (CDM) Program and has completed two foundational surveys. DOE anticipates inclusion on DHS' first task order purchase for monitoring tools;
- The DOE Office of Cybersecurity has made significant progress in defining and deploying an enterprise Supply Chain Risk Management (eSCRM) program. Activities included training and awareness, process framework development, and detailed planning for attaining full operating capability for the program by FY 2016. Capabilities of the DOE SCRM Focal Point are expanding and maturing, and outreach activities are underway to coordinate information and communications technology (ICT) supply chain activities across the Department, including the following:
    - An online training module on SCRM Best Practices was delivered in June 2013;
    - SCRM was highlighted as part of the annual DOE cybersecurity awareness month in October 2013;
    - Resource Center staff and the Federal Lead continue to participate in outreach activities with DOJ, DHS, and Department of Defense. Federal staff is participating in the Tiger Team to document implementation guidance for CNSS Directive 505, *Supply Chain Risk Management*; and
    - A SCRM process pilot with Naval Reactors was initiated in June 2013;

- DOE continues enhancing training and workforce development through execution of the approved plan to implement a centralized Cybersecurity Role-Based Training Program for critical Federal cybersecurity roles and identified core competencies. Development of the *System Authorization (SA) Core Competency Module* was completed in August 2013 and is available to all DOE employees. This module marks the third OCIO offering of role-based/core competency training products. The Cybersecurity Awareness and Training (CSAT) team is currently working with JC3 representatives to develop core content for an Incident Management training module. This module is tentatively scheduled for production during FY 2014. Identification of additional role-based/core competency modules will be made in the first quarter of FY 2014 and scheduled for development in FY 2014 and FY 2015; and

- In keeping with the President's proclamation of October 2013 as National Cybersecurity Awareness Month (NCSAM), the CSAT team held the DOE NCSAM October event for Headquarters' locations. This event is hosted annually by the OCIO in collaboration with DHS and other Federal agencies to engage and educate employees about cyber threats and mitigating actions in an effort to enhance the resiliency of the Nation against cyber incidents. The CSAT team, in coordination with other Departmental programs, has scheduled cyber awareness and educational presentations that address a variety of current cyber topics for both professional and personal computing environments. In addition to displaying cyber awareness posters and promoting the month through electronic methods, the team has created a variety of cyber resource materials (e.g., newsletter, flyer, resources sheets, bookmark, etc.) that were made available to employees during the months of October and November.

HUMAN CAPITAL MANAGEMENT

Key Challenges: The Department requires a highly qualified, capable, and flexible workforce to accomplish its scientific and technological missions in a dynamic human capital environment. Key challenges in this environment include:

- Leading people and managing resources in an uncertain fiscal climate;

- Reforming human capital processes to better recruit, develop, and retain high performing employees;
- Improving the efficiency, effectiveness, and accountability of human resources operations and human capital management based on the results of a 120-day study of the current DOE HR operating environment;
- Mitigating the loss of knowledge and skills due to retirements and other sources of attrition; and
- Adapting to changing federal human capital policies and priorities.

Departmental Initiatives: In FY 2013, the priorities in human capital management were:

- Assessing and realigning human capital organizations, systems and processes to better support DOE mission performance, including an emphasis on improving the Human Capital Management Accountability Program;
- Providing leadership and support for Presidential and Secretarial initiatives to improve the hiring, diversity, engagement, learning, development, and performance of the DOE Federal workforce;
- Providing expertise and leadership for government-wide human capital initiatives in partnership with the Office of Personnel Management (OPM) and various oversight agencies; and
- Transitioning human capital priorities from the 2011 DOE Strategic Plan to the upcoming 2014 Strategic Plan.

The following achievements supported the DOE Strategic Plan's priorities for human capital management.

Achievements in FY 2013 for the Department include:

- Maintained an efficient time-to-hire for General Schedule (GS) and equivalent positions. In FY 2013, the average was 97 days, an improvement of 44% compared to 174 days for FY 2009;
- Completed the DOE HR Service Delivery Study on behalf of the Deputy Secretary. Deliverables included a baseline of the HR environment, an analysis of alternatives, and recommendations for a future state of DOE HR;
- Improved employee participation in the annual Federal Employee Viewpoint Survey (FEVS) by 3.5% from 47.3% in 2012 to 50.8% in 2013. DOE also exceeded the government-wide participation rate of 48.3%;
- In its review of the five agencies piloting the President's performance management reforms known as Goals-Engagement-Accountability-Results (GEAR), the GAO reported to Congress that "DOE's GEAR plan was the most thoroughly documented of the five pilot plans and met all of the best practices we GAO identified." DOE was the only agency for which GAO did not have recommendations for improvement or executive action;
- Related to the GEAR effort, continued to refine and enhance DOE performance management systems/processes so they more clearly link work to mission goals, expected outcomes and accomplishment measures;
- Developed and implemented a new Senior Executive Service (SES) Performance Appraisal System that is aligned with the SES Hiring Reforms of the President's Management Council;
- Continued DOE's partnership with National Defense University, which provides tuition-free development opportunities for DOE employees as students and teachers;
- Launched the DOE Virtual University (DVU) as a central venue for executing, managing, and sharing corporate learning activities, programs and policies throughout DOE;
- Established a set of DOE Core Competencies to be used in corporate workforce planning and development; and
- Participated in the HR Leaders Southwest Consortium, which shares best practices among Federal HR organizations in the southwest corridor of Washington, DC.

Achievements in FY 2013 at the Government-wide level include:

- Led the development of a metrics framework for the Chief Human Capital Officer (CHCO) Council as a key to transitioning GEAR from a pilot to government-wide implementation;
- Led numerous interagency workgroups related to hiring reform: process and metrics improvements for the Time-to-Hire and Data Quality sub workgroups; Hiring Initiatives for Veterans and People with Disabilities; and implementation of the Pathways Intern Program to replace the Federal Career Intern Program;
- Supported the President's Management Council's Interagency Rotation Program: seven DOE employees completed rotations at other agencies, while nine employees from other agencies completed rotations at DOE;
- Piloted the OPM HRstat program, which supports the data-driven alignment of human capital policies and programs (Chief Human Capital Officer) with organization mission, strategic goals, and performance outcomes (Performance Improvement Officer). This effort supports the Government Performance and Results Modernization Act (GPRAMA);
- Collaborated with the CHCO Council to promote continuous learning Government-wide by providing a web-based toolkit, "The Keep Learning Challenge" via HRU.gov;

- Delivered the no-cost Executive Leadership Series, a Government-wide forum for senior executives to attend learning sessions delivered by leaders across Government and Industry. Sessions averaged over 450 attendees; and
- Published the DOE Nationwide Leadership Development Program Catalog, a current listing of 575 leadership development courses and programs, which helps eliminate travel and per diem expenses by enabling executives to attend leadership training locally. The extensive research required to update the catalog is performed by university student volunteers.

The CHCO has identified the following priorities to build workforce capacity and improve human capital systems to meet future DOE mission needs:

1. Resolve the audit findings and issues associated with Bonneville Power Administration's (BPA) human capital management personnel practices, policies and procedures, and workforce structure.
2. Improve the effectiveness and efficiency of HR services in accordance with the Secretary's approval of the recommendations of the 120-day study to use a more corporate approach that better supports DOE missions.
3. Ensure the Department has a workforce capable of meeting mission needs.
4. Develop employees and leaders in line with mission needs.
5. Improve employee engagement and accountability for achieving the mission.
6. Improve communication and collaboration internally within Human Capital (HC) and externally through partnership with DOE organizations and other Federal agencies.
7. Improve the quality of HC customer service through an increased understanding of customer needs and expectations, and providing timely and accurate services.

SAFETY CULTURE

Key Challenges: Maintain the safety and health of the Department's current workforce and ensure the safety of the general public from Departmental operations while striving to enhance the Department's productivity to achieve mission objectives. Work planning and control weaknesses and the safety culture concerns identified at the Hanford Site Waste Treatment and Immobilization Plant and through the completed extent of condition reviews directed by the Secretary elsewhere within the Department demonstrate the need for continued vigilance and improvement.

Departmental Initiatives: In FY 2013, Departmental elements continued to implement safety and health reforms through senior Departmental leadership, worker and stakeholder engagement, and use of operational experience to establish and strengthen lines of communication, seek feedback, and resolve areas of concern. DOE program and staff offices worked towards completing reviews to validate the technical basis and soundness of their health and safety programs within the context of the revised reforms. Where applicable, revisions to health and safety programs were, and continue to be, incorporated into organizational procedures and site contracts. Training continues to be provided where necessary. The Department developed an action plan to improve implementation of work planning and control throughout DOE at all levels of work activities. The Department continued to implement activities to fulfill commitments in the Implementation Plan (IP) for DNFSB Recommendation 2011-1, Safety Culture at the Waste Treatment and Immobilization Plant to include completing safety culture reviews and most line organization safety culture self-assessments. The Department also continued strengthening oversight of capital projects to include major nuclear design and construction projects and to ensure quality assurance, nuclear safety, and worker safety and health requirements are being properly implemented throughout all project life-cycle phases. Independent oversight activities were further focused on operations involving higher hazards or demonstrating poor safety performance. The Department continued implementing the Integrated Safety Management (ISM) System as the framework for safety throughout the Department, convened a workshop to share work planning and control lessons-learned, and further integrated the requirements of Title 10, Code of Federal Regulations (C.F.R.), Part 851, Worker Safety and Health Program, into all facets of work planning and execution. The Department's Nuclear Safety Research and Development (NSR&D) Program continued moving forward by selecting three cross-cutting nuclear safety research projects for FY 2014.

In FY 2014, the Department will continue working towards institutionalizing safety and health reforms through the following initiatives:

- Continue to share lessons-learned on implementation of work planning and control, and complete the development of: (a) a handbook for contractor implementation of activity-level work planning and control; and (b) revision of DOE Guide 226.1 to strengthen Federal oversight of activity-level work planning and control, and to include work planning and control Criteria Review and Approach Documents (CRAD);
- Continue maximizing the use of national and international consensus standards where applicable and ensure DOE requirements are risk-informed and performance-based considering the hazards associated with the work, and are meaningful, clear, and concise;
- Continue strengthening the implementation of Department safety and health-related programs; e.g., ISM and the DOE Voluntary Protection Program through corporate assistance and awareness activities that are focused on effective implementation of DOE requirements;

- Identify and support additional nuclear safety research projects through the NSR&D Program;
- Maintain effective levels of safety and health expertise throughout the Department by providing relevant training and professional development programs through the National Training Center and fostering the expansion of the reciprocity program whereby accredited safety training programs are recognized by other DOE contractors and sites;
- Continue fostering improvements to safety and health performance by clarifying roles and responsibilities for Federal and contractor line management;
- Continue conducting safety and health self-assessments and implementing the independent oversight and worker safety and nuclear safety enforcement programs to maintain stakeholder and public confidence;
- Complete the independent oversight reviews of the DOE safety culture self-assessments as part of the IP in response to Defense Nuclear Facilities Safety Board Recommendation 2011-1 and initiate an independent oversight follow-up review of nuclear safety culture and management of nuclear safety concerns at the Hanford Site Waste Treatment and Immobilization Plant to evaluate progress in establishing a healthy safety culture; and
- Continue conducting independent oversight of nuclear facility projects to ensure compliance with 10 C.F.R. 830 Nuclear Safety Management requirements.

RECOVERY ACT

Following management review, the prior year management priority of Recovery Act has been removed from the current list of management priorities in light of the progress that has been made on Recovery Act projects. As Recovery Act activities phase out, the Department will continue to monitor the program to meet all requirements of the Act.

DOE MANAGEMENT PRIORITIES	IG CHALLENGE AREAS FY 2013	GAO CHALLENGE AREAS FY 2013
Acquisition and Project Management **D** and **S**	Contract and Financial Assistance Award Management **S**	Management of major ($750M+) projects and programs -significant cost increases and delays **S**
Security **D** and **S**	Safeguards and Security **D** and **S**	Security-systemic security issues across the nuclear security enterprise **S**
Environmental Cleanup **D**	Environmental Cleanup **D**	
Used Fuel and High Level Waste Disposal **D**	Nuclear Waste Disposal **D**	
	Stockpile Stewardship **D**	
Cybersecurity **S**	Cybersecurity **S**	
Human Capital Management **S**	Human Capital Management **S**	
Safety Culture **S**		Safety - management weaknesses contribute to safety problems **S**
	Operational Efficiency & Cost Savings **D** and **S**	Reliable enterprise-wide management – lack of reliable budget and cost data **D** and **S**

D = Mission Direct **S = Mission Support**

Financial Results

Super Sized Solar Grid – An aerial view of the California Valley Solar Ranch, that has a capacity of 250 megawatts -- enough energy to power the equivalent of every home in San Luis Obispo County. | Photo courtesy of SunPower.

Message from the Deputy Chief Financial Officer

For Fiscal Year (FY) 2013, the Department of Energy (DOE) received an unmodified audit opinion on its financial statements from the independent public accounting firm of KPMG LLP. The audit identified no material weaknesses and one significant deficiency in the Department's information technology (IT) controls. The audit also found the Department's financial management system to be in general compliance with governmental financial system requirements and found no instances of nonconformance.

The Office of the Chief Financial Officer (OCFO) is committed to eliminating the IT significant deficiency and initiated a new process for tracking, monitoring, and resolving the IT audit findings to ensure improvement in the FY 2014 audit results.

Additional OCFO FY 2013 accomplishments include:

- Guided DOE through the financial challenges caused by sequestration and prepared for the lapse in FY 2014 appropriations.
- Developed requirements to modernize the DOE funds distribution process that will result in the retirement of multiple legacy systems.
- Created a DOE-wide financial management webinar program that provided a curriculum of over 20 courses to over 550 DOE and contractor employees. The webinars were highly effective and an economical way to provide training in the current fiscal environment.
- Led contractor pension plan cost assessment that reduced FY 2013 costs by $200 million.
- Reduced the number of Standard General Ledger (SGL) edits from 973 to 70, simplifying the SGL error correction process and significantly reducing time spent researching the errors.
- Automated reconciliation of USAspending.gov financial data with DOE accounting system.
- Automated notification of members of Congress of grant and contract awards in their districts.

We will continue to drive improvements in DOE financial management in FY 2014.

Alison L. Doone
Deputy Chief Financial Officer
December 10, 2013

Consolidated and Combined Financial Statements

Introduction to Principal Statements

The Department's financial statements have been prepared to report the financial position and results of operations of the Department of Energy, pursuant to the requirements of the Chief Financial Officers Act of 1990, the Government Management Reform Act of 1994, and the OMB Circular A-136, "*Financial Reporting Requirements*."

The responsibility for the integrity of the financial information included in these statements rests with the management of the Department. The audit of the Department's principal financial statements was performed by an independent certified public accounting firm selected by the Department's Inspector General. The auditors' report issued by the independent certified public accounting firm is included in this report.

The following provides a brief description of the nature of each required financial statement.

Consolidated Balance Sheets

The *Consolidated Balance Sheets* describe the assets, liabilities and net position components of the Department.

Consolidated Statements of Net Cost

The *Consolidated Statements of Net Cost* summarize the Department's operating costs by the strategic goals and objectives identified in the Department's May 2011 Strategic Plan. All operating costs reported reflect full costs, including all direct and indirect costs, consumed by a program or responsibility segment. The full costs are reduced by earned revenues to arrive at net costs.

Consolidated Statements of Changes in Net Position

The *Consolidated Statements of Changes in Net Position* identify appropriated funds used as a financing source for goods, services or capital acquisitions. This statement presents the accounting events that caused changes in the net position section of the Consolidated Balance Sheets from the beginning to the end of the reporting period.

Combined Statements of Budgetary Resources

The *Combined Statements of Budgetary Resources* identify the Department's budgetary authority. Federal law gives budgetary authority to agencies to incur financial obligations that will eventually result in outlays or expenditures. Budgetary authority that the Department receives includes appropriations, borrowing authority, contract authority and spending authority from offsetting collections. The Combined Statements of Budgetary Resources provide information on budgetary resources available to the Department during the year and the status of those resources at the end of the year. Detail on the amounts shown in the Combined Statements of Budgetary Resources is included in the Required Supplementary Information section on the schedule of Budgetary Resources by Major Account.

Consolidated Statements of Custodial Activities

The *Consolidated Statements of Custodial Activities* identify revenues collected by the Department on behalf of others. These revenues primarily result from power marketing administrations that sell power generated by hydroelectric facilities owned by the Department of Defense, Army Corps of Engineers, and the Department of Interior, Bureau of Reclamation.

Principal Statements

U.S. Department of Energy Consolidated Balance Sheets

As of September 30, 2013 and 2012

($ IN MILLIONS)	FY 2013	FY 2012
ASSETS: (Note 2)		
Intragovernmental Assets:		
Fund Balance with Treasury (Note 3)	$ 33,708	$ 38,425
Investments and Related Interest, Net (Note 4)	36,889	35,040
Accounts Receivable, Net (Note 5)	623	673
Other Assets	23	31
Total Intragovernmental Assets	**$ 71,243**	**$ 74,169**
Investments and Related Interest, Net (Note 4)	173	181
Accounts Receivable, Net (Note 5)	3,809	3,870
Direct Loans and Loan Guarantees, Net (Note 7)	12,375	10,683
Inventory, Net: (Note 8)		
Strategic Petroleum and Home Heating Oil Reserve	20,812	20,778
Nuclear Materials	21,495	21,120
Other Inventory	623	554
General Property, Plant, and Equipment, Net (Note 9)	33,345	32,779
Regulatory Assets (Note 6)	11,921	12,453
Other Non-Intragovernmental Assets (Note 10)	4,110	4,293
Total Assets	**$ 179,906**	**$ 180,880**
LIABILITIES: (Note 11)		
Intragovernmental Liabilities:		
Accounts Payable	$ 85	$ 121
Debt (Note 12)	27,077	24,843
Deferred Revenues and Other Credits (Note 13)	95	96
Other Liabilities (Note 14)	543	1,478
Total Intragovernmental Liabilities	**$ 27,800**	**$ 26,538**
Accounts Payable	3,708	4,228
Loan Guarantee Liability	183	157
Debt Held by the Public (Note 12)	5,949	6,127
Deferred Revenues and Other Credits (Note 13)	36,284	34,206
Environmental Cleanup and Disposal Liabilities (Note 15)	280,270	268,401
Pension and Other Actuarial Liabilities (Note 16)	21,445	31,537
Obligations Under Capital Leases (Note 17)	1,005	863
Other Non-Intragovernmental Liabilities (Note 14)	6,389	6,723
Contingencies and Commitments (Note 18)	21,485	19,853
Total Liabilities	**$ 404,518**	**$ 398,633**
NET POSITION:		
Unexpended Appropriations		
Unexpended Appropriations - Funds from Dedicated Collections (Note 19)	$ 20	$ 23
Unexpended Appropriations - Other Funds	24,537	28,073
Cumulative Results of Operations		
Cumulative Results of Operations - Funds from Dedicated Collections (Note 19)	(8,950)	(4,919)
Cumulative Results of Operations - Other Funds	(240,219)	(240,930)
Total Net Position	**$ (224,612)**	**$ (217,753)**
Total Liabilities and Net Position	**$ 179,906**	**$ 180,880**

The accompanying notes are an integral part of these statements.

U.S. Department of Energy Consolidated Statements of Net Cost

For the Years Ended September 30, 2013 and 2012

($ IN MILLIONS)	FY 2013	FY 2012
STRATEGIC GOALS:		
Transform Our Energy Systems		
Program Costs (Note 21)	$ 10,968	$ 15,221
Less: Earned Revenues (Note 22)	(4,643)	(4,721)
Net Cost of Transform Our Energy Systems	**6,325**	**10,500**
The Science and Engineering Enterprise		
Program Costs (Note 21)	4,813	4,943
Less: Earned Revenues (Note 22)	(39)	(29)
Net Cost of Science and Engineering Enterprise	**4,774**	**4,914**
Secure Our Nation		
Program Costs (Note 21)	14,404	15,550
Less: Earned Revenues (Note 22)	(289)	(390)
Net Cost of Secure Our Nation	**14,115**	**15,160**
Net Cost of Strategic Goals	**25,214**	**30,574**
OTHER PROGRAMS:		
Reimbursable Programs:		
Program Costs	4,317	4,214
Less: Earned Revenues (Note 22)	(4,205)	(4,168)
Net Cost of Reimbursable Programs	**112**	**46**
Other Programs (Note 23)		
Program Costs	843	815
Less: Earned Revenues (Note 22)	(350)	(354)
Net Cost of Other Programs	**493**	**461**
Costs Applied to Reduction of Legacy Environmental Liabilities (Notes 15 and 24)	(4,658)	(5,524)
Costs Not Assigned (Note 25)	12,409	29,853
Net Cost of Operations (Note 26)	**$ 33,570**	**$ 55,410**

The accompanying notes are an integral part of these statements.

U.S. Department of Energy Consolidated Statements of Changes in Net Position

For the Years Ended September 30, 2013 and 2012

($ IN MILLIONS)	FUNDS FROM DEDICATED COLLECTIONS (Note 19)	ALL OTHER FUNDS	ELIMINATIONS	CONSOLIDATED
	FY 2013			
CUMULATIVE RESULTS OF OPERATIONS:				
Beginning Balances	$ (4,919)	$ (240,930)	$ -	$ (245,849)
Budgetary Financing Sources:				
Appropriations Used	$ 12	$ 27,902	$ -	$ 27,914
Non-Exchange Revenue	3	50	-	53
Donations and Forfeitures of Cash	-	3	-	3
Transfers - In/(Out) Without Reimbursement	(353)	33	3	(317)
Other Financing Sources (Non-Exchange):				
Donations and Forfeitures of Cash	15	2	-	17
Transfers - In/(Out) Without Reimbursement (Note 26)	(68)	(83)	(3)	(154)
Imputed Financing from Costs Absorbed by Others (Note 26)	3	2,850	-	2,853
Other	26	(127)	(18)	(119)
Total Financing Sources	**$ (362)**	**$ 30,630**	**$ (18)**	**$ 30,250**
Net Cost of Operations	(3,669)	(29,919)	18	(33,570)
Net Change	**$ (4,031)**	**$ 711**	**$ -**	**$ (3,320)**
Total Cumulative Results of Operations	**$ (8,950)**	**$ (240,219)**	**$ -**	**$ (249,169)**
UNEXPENDED APPROPRIATIONS:				
Beginning Balances	$ 23	$ 28,073	$ -	$ 28,096
Budgetary Financing Sources:				
Appropriations Received (Note 27)	$ 16	$ 26,698	$ -	$ 26,714
Appropriations Transferred - In/(Out)	-	5	-	5
Other Adjustments	(7)	(2,337)	-	(2,344)
Appropriations Used	(12)	(27,902)	-	(27,914)
Total Budgetary Financing Sources	**$ (3)**	**$ (3,536)**	**$ -**	**$ (3,539)**
Total Unexpended Appropriations	**$ 20**	**$ 24,537**	**$ -**	**$ 24,557**
Net Position	**$ (8,930)**	**$ (215,682)**	**$ -**	**$ (224,612)**
	FY 2012			
CUMULATIVE RESULTS OF OPERATIONS:				
Beginning Balances	$ (5,083)	$ (222,119)	$ -	$ (227,202)
Budgetary Financing Sources:				
Appropriations Used	$ 8	$ 35,376	$ -	$ 35,384
Non-Exchange Revenue	2	53	-	55
Donations and Forfeitures of Cash	-	11	-	11
Transfers - In/(Out) Without Reimbursement	(136)	(51)	9	(178)
Other Financing Sources (Non-Exchange):				
Donations and Forfeitures of Cash	38	-	-	38
Transfers - In/(Out) Without Reimbursement (Note 26)	(90)	(90)	(9)	(189)
Imputed Financing from Costs Absorbed by Others (Note 26)	1	2,728	-	2,729
Other	22	(1,090)	(19)	(1,087)
Total Financing Sources	**$ (155)**	**$ 36,937**	**$ (19)**	**$ 36,763**
Net Cost of Operations	319	(55,748)	19	(55,410)
Net Change	**$ 164**	**$ (18,811)**	**$ -**	**$ (18,647)**
Total Cumulative Results of Operations	**$ (4,919)**	**$ (240,930)**	**$ -**	**$ (245,849)**
UNEXPENDED APPROPRIATIONS:				
Beginning Balances	$ 21	$ 37,741	$ -	$ 37,762
Budgetary Financing Sources:				
Appropriations Received (Note 27)	$ 10	$ 26,518	$ -	$ 26,528
Appropriations Transferred - In/(Out)	-	9	-	9
Other Adjustments	-	(819)	-	(819)
Appropriations Used	(8)	(35,376)	-	(35,384)
Total Budgetary Financing Sources	**$ 2**	**$ (9,668)**	**$ -**	**$ (9,666)**
Total Unexpended Appropriations	**$ 23**	**$ 28,073**	**$ -**	**$ 28,096**
Net Position	**$ (4,896)**	**$ (212,857)**	**$ -**	**$ (217,753)**

The accompanying notes are an integral part of these statements.

U.S. Department of Energy Combined Statements of Budgetary Resources

For the Years Ended September 30, 2013 and 2012

($ IN MILLIONS)	BUDGETARY	NON-BUDGETARY CREDIT REFORM FINANCING ACCOUNTS	BUDGETARY	NON-BUDGETARY CREDIT REFORM FINANCING ACCOUNTS
	FY 2013		FY 2012	
BUDGETARY RESOURCES:				
Unobligated Balance Brought Forward, October 1	$ 10,123	$ 3,507	$ 9,522	$ 4,593
Recoveries of Prior Year Unpaid Obligations	723	537	842	851
Other Changes in Unobligated Balance (+ or -)	(152)	(992)	(5)	(1,064)
Unobligated Balance from Prior Year Budget Authority, Net	$ 10,694	$ 3,052	$ 10,359	$ 4,380
Appropriations (Note 27)	24,881	4	26,376	-
Borrowing Authority	622	12	806	4
Contract Authority	1,455	-	1,272	-
Spending Authority from Offsetting Collections	7,748	417	7,308	787
Total Budgetary Resources (Note 27)	**$ 45,400**	**$ 3,485**	**$ 46,121**	**$ 5,171**
STATUS OF BUDGETARY RESOURCES:				
Obligations Incurred (Notes 26 & 27)	$ 35,279	$ 1,461	$ 35,998	$ 1,664
Unobligated Balance, End of Year:				
Apportioned	$ 9,370	$ 31	$ 9,590	$ 12
Exempt from Apportionment	17	-	18	-
Unapportioned (Note 27)	734	1,993	515	3,495
Total Unobligated Balance, End of Year	**$ 10,121**	**$ 2,024**	**$ 10,123**	**$ 3,507**
Total Budgetary Resources (Note 27)	**$ 45,400**	**$ 3,485**	**$ 46,121**	**$ 5,171**
CHANGE IN OBLIGATED BALANCE:				
Unpaid Obligations:				
Unpaid Obligations, Brought Forward, October 1	$ 31,070	$ 5,965	$ 41,616	$ 12,268
Obligations Incurred (Notes 26 & 27)	35,279	1,461	35,998	1,664
Outlays (Gross) (-)	(38,268)	(4,571)	(45,702)	(7,116)
Recoveries of Prior Year Unpaid Obligations (-)	(723)	(537)	(842)	(851)
Unpaid Obligations, End of Year (Note 27)	**$ 27,358**	**$ 2,318**	**$ 31,070**	**$ 5,965**
Uncollected Payments:				
Uncollected Customer Payments from Federal Sources, Brought Forward, October 1 (-)	$ (4,415)	$ (1,080)	$ (4,501)	$ (2,655)
Change in Uncollected Customer Payments from Federal Sources (+ or -)	102	730	86	1,575
Uncollected Customer Payments from Federal Sources, End of Year (-)	**$ (4,313)**	**$ (350)**	**$ (4,415)**	**$ (1,080)**
Memorandum (non-add) Entries:				
Obligated Balance, Start of Year (+ or -)	**$ 26,655**	**$ 4,885**	**$ 37,115**	**$ 9,613**
Obligated Balance, End of Year (+ or -)	**$ 23,045**	**$ 1,968**	**$ 26,655**	**$ 4,885**
BUDGET AUTHORITY AND OUTLAYS, NET:				
Budget Authority, Gross	$ 34,706	$ 433	$ 35,762	$ 791
Actual Offsetting Collections (-)	(9,417)	(2,048)	(9,111)	(2,415)
Change in Uncollected Customer Payments from Federal Sources (+ or -)	102	730	86	$ 1,575
Budget Authority, Net	**$ 25,391**	**$ (885)**	**$ 26,737**	**$ (49)**
Outlays, Gross	$ 38,268	$ 4,571	$ 45,702	$ 7,116
Actual Offsetting Collections (-)	(9,417)	(2,048)	(9,111)	(2,415)
Outlays, Net	**$ 28,851**	**$ 2,523**	**$ 36,591**	**$ 4,701**
Distributed Offsetting Receipts (-) (Notes 26 & 27)	(4,185)	-	(4,132)	-
Agency Outlays, Net (Note 27)	**$ 24,666**	**$ 2,523**	**$ 32,459**	**$ 4,701**

The accompanying notes are an integral part of these statements.

U.S. Department of Energy Consolidated Statements of Custodial Activities

For the Years Ended September 30, 2013 and 2012

($ IN MILLIONS)	FY 2013	FY 2012
SOURCES OF COLLECTIONS:		
Cash Collections: (Note 28)		
Power Marketing Administrations	$ 907	$ 783
Federal Energy Regulatory Commission	327	178
Total Cash Collections	**$ 1,234**	**$ 961**
Accrual Adjustment	20	(8)
Total Custodial Revenue	**$ 1,254**	**$ 953**
DISPOSITION OF REVENUE:		
Transferred to Others:		
Bureau of Reclamation	(510)	(415)
Department of the Treasury	(554)	(459)
Army Corps of Engineers	(170)	(88)
Decrease/(Increase) in Amounts to be Transferred	(20)	9
Net Custodial Activity	**$ -**	**$ -**

The accompanying notes are an integral part of these statements.

Notes to the Consolidated and Combined Financial Statements

1. Summary of Significant Accounting Policies

A. BASIS OF PRESENTATION

These consolidated and combined financial statements have been prepared to report the financial position and results of operations of the United States (U.S.) Department of Energy (the Department or DOE). The statements were prepared from the books and records of the Department in accordance with generally accepted accounting principles applicable to federal entities.

B. DESCRIPTION OF REPORTING ENTITY

The Department is a cabinet-level agency of the Executive Branch of the U.S. Government. The Department is not subject to federal, state, or local income taxes. The Department's headquarters organizations are located in Washington, D. C. and Germantown, Maryland, and consist of an executive management structure that includes the Secretary; the Deputy Secretary; the Under Secretary for Science and Energy; the Under Secretary for Nuclear Security/Administrator for the National Nuclear Security Administration; the Under Secretary for Management and Performance; Secretarial staff organizations; and program organizations that provide technical direction and support for the Department's principal programmatic missions. The Department also includes the Federal Energy Regulatory Commission (FERC), which is an independent organization responsible for regulating the transmission and sale of natural gas for resale in interstate commerce, for regulating the transmission and wholesale of electricity in interstate commerce, and the licensing of hydroelectric power projects.

The Department has a complex field structure comprised of operations offices, field offices, power marketing administrations (Bonneville Power Administration, Southeastern Power Administration, Southwestern Power Administration, and Western Area Power Administration), laboratories, and other facilities. The majority of the Department's environmental cleanup, energy research and development, and testing and production activities are carried out by major contractors. The contractors operate, maintain, or support the Department's government-owned facilities on a day-to-day basis and provide other special work under the direction of the Department's field organizations. The Department indemnifies these contractors against financial responsibility from nuclear accidents under the provisions of the Price-Anderson Act.

These contractors have unique contractual relationships with the Department. In most cases, their charts of accounts and accounting systems are integrated with the Department's accounting system through a home office-branch office type of arrangement. Additionally, the Department is responsible for reimbursing the allowable costs of contractor contributions to certain defined benefit pension plans, as well as postretirement benefits such as medical care and life insurance, for the employees of these contractors. As a result, the Department's financial statements reflect not only the costs incurred by these contractors, but also include certain contractor assets (e.g., employee advances and prepaid pension costs) and liabilities (e.g., accounts payable, accrued expenses including payroll and benefits, and pension and other actuarial liabilities) that would not be reflected in the financial statements of other federal agencies that do not have these unique contractual relationships.

C. BASIS OF ACCOUNTING

Transactions are recorded on an accrual accounting basis and budgetary basis. Under the accrual accounting basis, revenues are recognized when earned and expenses are recognized when liabilities are incurred, without regard to receipt or payment of cash. Budgetary accounting facilitates compliance with legal constraints and controls over the use of federal funds. All material intradepartmental balances and transactions have been eliminated in the *Consolidated Balance Sheets, Consolidated Statements of Net Cost, Consolidated Statements of Changes in Net Position, and Consolidated Statements of Custodial Activities*. The *Combined Statements of Budgetary Resources* are prepared on a combined basis and do not include intradepartmental eliminations.

Throughout these financial statements, assets, liabilities, earned revenue, and costs have been classified according to the type of entity with whom the transactions were made. Intragovernmental assets and liabilities are those from or to other federal entities. Intragovernmental earned revenue represents collections or accruals of revenue from other federal entities. Intragovernmental costs are payments or accruals for goods and services provided by other federal entities, and costs incurred by other federal entities as a result of the Department's programs (see Note 20).

D. FUND BALANCE WITH TREASURY

Funds with the U.S. Department of the Treasury (Treasury) primarily represent appropriated and revolving funds that are available to pay current liabilities and finance authorized purchases. Disbursements and receipts are processed by Treasury, and the Department's records are reconciled with those of Treasury (see Note 3).

E. INVESTMENTS AND RELATED INTEREST, NET

All investments are reported at cost net of amortized premiums and discounts as it is the Department's intent to hold the investments to maturity. Premiums and discounts are amortized using the effective interest yield method (see Note 4).

F. ACCOUNTS RECEIVABLE, NET

Intragovernmental accounts receivable represent amounts due from other federal agencies and are considered to be fully collectible. The amounts due for non-intragovernmental (non-federal) receivables are stated net of an allowance for uncollectible accounts. The estimate of the allowance is based on past experience in the collection of receivables and an analysis of the outstanding balances (see Note 5).

G. DIRECT LOANS AND LOAN GUARANTEES, NET

The Department has two loans that were obligated and disbursed prior to fiscal year 1992, and are presented net of an allowance for loss. All loans obligated after fiscal year 1992 are presented on a present value basis in compliance with the Federal Credit Reform Act of 1990. The present value of the loans is revalued on an annual basis (see Note 7).

Interest expense on the Bureau of the Fiscal Service (BFS) and Federal Financing Bank (FFB) debt is calculated in accordance with the Office of Management and Budget (OMB) Circular Number (No.) A-11, Sections 185.32 and 185.34 using the Credit Subsidy Calculator 2 (CSC2). Capitalized interest receivables on loans with FFB are reclassified to principal outstanding on the capitalization date.

H. INVENTORY, NET

Stockpile materials are recorded at historical cost in accordance with Statement of Federal Financial Accounting Standards (SFFAS) No. 3, *Accounting for Inventory and Related Property,* except for certain nuclear materials identified as surplus or excess to the Department's needs. These nuclear materials are recorded at their net realizable value (see Note 8).

I. GENERAL PROPERTY, PLANT, AND EQUIPMENT, NET

Property, plant, and equipment that are purchased, constructed, or fabricated in-house, including major modifications or improvements, are capitalized at cost. The Department's property, plant, and equipment capitalization threshold, except as noted below, is $500,000. The capitalization threshold for NWF and Isotopes Program is $50,000. The capitalization threshold for the power marketing administrations (PMAs) and FERC range from $5,000 to $50,000. The capitalization threshold for internal use software is $750,000, except for the PMAs and FERC, which use thresholds ranging from $5,000 to $150,000 (see Note 9).

Costs of construction are capitalized as construction work in process. Upon completion or beneficial occupancy or use, the cost is transferred to the appropriate property account. Property, plant, and equipment related to environmental management facilities storing and processing the Department's environmental legacy wastes are not capitalized.

Depreciation expense is generally computed using the straight-line method. The units of production method is used only in special cases where applicable, such as depreciating automotive equipment on a mileage basis and construction equipment on an hourly use basis. The ranges of service lives are generally as follows:

- Structures and Facilities: 25 – 50 years
- Automated Data Processing Software: 3 – 7 years
- Equipment: 5 – 40 years
- Land rights for a specified period or 50 years, whichever is less

J. LIABILITIES

Liabilities represent amounts of monies or other resources likely to be paid by the Department as a result of a transaction or event that has already occurred. However, no liability can be paid by the Department absent an authorized appropriation. Liabilities for which an appropriation has not been enacted are, therefore, classified as not covered by budgetary resources (see Note 11), and there is no certainty that the appropriations will be enacted. Also, liabilities of the Department that are not contract based can be abrogated by the government acting in its sovereign capacity.

K. DEDICATED COLLECTIONS

Dedicated collections are financed by specifically identified revenues, often supplemented by other financing sources, which remain available over time. These specifically identified revenues and other financing sources are required by statute to be used for designated activities, benefits or purposes, and must be accounted for separately from the government's general revenues (see Note 19).

L. ACCRUED ANNUAL, SICK, AND OTHER LEAVE

Federal Employees: Federal employees' annual leave is accrued as it is earned, and the accrual is reduced annually for actual leave taken. Each year, the accrued annual leave balance is adjusted to reflect the latest pay rates. To the extent that current or prior year appropriations are not available to fund annual leave earned but not taken, funding will be obtained from future financing sources. Sick leave and other types of non-vested leave are expensed as taken.

Contractor Employees: The Department accrues annual leave for contractor employees. Unlike leave for federal employees, this is a funded liability rather than an unfunded liability.

M. RETIREMENT PLANS

Federal Employees: There are two primary retirement systems for federal employees. Employees hired prior to January 1, 1984, may participate in the Civil Service Retirement System (CSRS). On January 1, 1984, the Federal Employees Retirement System (FERS) went into effect pursuant to Public Law 99-335. Most employees hired after December 31, 1983, are automatically covered by FERS and Social Security. Employees hired prior to

January 1, 1984, elected to either join FERS and Social Security or remain in CSRS. A primary feature of FERS is that it offers a savings plan to which the Department automatically contributes one percent of pay and matches any employee contribution up to an additional four percent of pay. For most employees hired since December 31, 1983, the Department also contributes the employer's matching share for Social Security (see Note 20). The Department does not report CSRS or FERS assets, accumulated plan benefits, or unfunded liabilities, if any, applicable to its employees. Reporting such amounts is the responsibility of the Office of Personnel Management (OPM). The Department does report, as an imputed financing source (see Note 26) and a program expense (see Note 20), the difference between its contributions to federal employee pension and other retirement benefits and the estimated actuarial costs as computed by OPM. The PMAs make additional annual contributions to Treasury to ensure that all postretirement benefit programs provided to their employees are fully funded and such costs are both recovered through rates and properly expensed.

Contractor Employees: The Department is contractually responsible for reimbursing its major contractors who sponsor employee defined benefit pension plans for the costs of contractor employee retiree benefits because these are allowable costs under their contracts. Most of these contractors sponsor defined benefit pension plans under which these plans promise to pay employees specified benefits, such as a percentage of the final average pay for each year of service. The Department does not sponsor and is not the fiduciary of contractor employee defined benefit plans. Contractors are required to make contributions to their plans as required by the Internal Revenue Code, the Employee Retirement Income Security Act (ERISA), as amended, and consistent with Departmental policy. Employer contributions are calculated to ensure that plan assets are sufficient to provide for accrued benefits of contractor employees. The level of contributions is dependent on plan provisions and actuarial assumptions about the future, such as interest rates, employee turnover and mortality, age of retirement, and compensation increases. The Department's major contractors also sponsor postretirement benefits other than pensions (PRB) consisting of predominantly postretirement health care benefits which are generally funded on a pay-as-you-go basis. Since the Department is responsible for the allowable costs of funding these contractor pension and PRB plans, it reports assets and liabilities for these plans (see Note 16).

N. NET COST OF OPERATIONS

Program costs are summarized in the *Consolidated Statements of Net Cost* by the strategic goals and objectives identified in the Department's May 2011 Strategic Plan. Program costs reflect full costs including all direct and indirect costs consumed by these strategic goals and objectives. Full costs are reduced by exchange (earned) revenues to arrive at net operating cost (see Notes 21 and 22).

O. REVENUES AND OTHER FINANCING SOURCES

The Department receives the majority of the funding needed to perform its mission through Congressional appropriations. These appropriations may be used, within statutory limits, for operating and capital expenditures. In addition to appropriations, other financing sources include exchange and non-exchange revenues and imputed financing sources. The Department also collects custodial revenues on behalf of others.

Exchange and Non-Exchange Revenues*:* In accordance with federal government accounting standards, the Department classifies revenues as either exchange (earned) or non-exchange. Exchange revenues are those that derive from transactions in which the government provides value to the public or another government entity at a price (see Note 22). Non-exchange revenues derive from the government's sovereign right to demand payment, including fines and penalties. Non-exchange revenues also include interest earned on investments funded from amounts remaining from the privatization of the U.S. Enrichment Corporation Fund (see Note 4). These revenues are not considered to reduce the cost of the Department's operations and are reported on the *Consolidated Statements of Changes in Net Position.*

Imputed Financing Sources: In certain instances, program costs of the Department are paid out of the funds appropriated to other federal agencies. For example, certain costs of retirement programs are paid by OPM, and certain legal judgments against the Department are paid from the Judgment Fund maintained by Treasury. When costs are incurred by other federal entities as a result of the Department's programs, the Department recognizes these amounts on the *Consolidated Statements of Net Cost.* In addition, these amounts are recognized as imputed financing sources on the *Consolidated Statements of Changes in Net Position* (see Notes 20 and 26).

Custodial Revenues: The Department collects certain revenues on behalf of others, which are designated as custodial revenues. The Department incurs virtually no costs to generate these revenues, nor can it use these revenues to finance its operations. The revenues are returned to Treasury and others and are reported on the *Consolidated Statements of Custodial Activities* (see Note 28).

P. USE OF ESTIMATES

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Significant items subject to such estimates and assumptions include present value of loan receivables, estimated lives of general property, plant and equipment, environmental cleanup and disposal liabilities, pension and other actuarial liabilities, contingencies and

commitments, cost accruals, and managerial cost allocations. Actual results could differ from these estimates.

Q. COMPARATIVE DATA

In accordance with Treasury Financial Manual Bulletin 2013-04 and as directed by Treasury to resolve historical intragovernmental differences, DOE has reclassified Bonneville Power Administration's (BPA) Regulatory Asset for Refinanced and Additional Appropriated Capital from the intragovernmental asset section to the non-intragovernmental asset section on the Department's Balance Sheet for fiscal years 2013 and 2012 (see Note 6).

Certain other fiscal year 2012 amounts have been reclassified to conform to the fiscal year 2013 presentation.

R. ALLOCATION TRANSFERS WITH OTHER FEDERAL AGENCIES

The Department is a party to allocation transfers with other federal agencies as both a transferring (parent) entity and a receiving (child) entity. Allocation transfers are legal delegations by one department of its authority to obligate budget authority and outlay funds to another department. A separate fund account (allocation account) is created in the Treasury as a subset of the parent fund account for tracking and reporting purposes. All allocation transfers of balances are credited to this account, and subsequent obligations and outlays incurred by the child entity are charged to this allocation account as it executes the delegated activity on behalf of the parent entity. Generally, all financial activity related to these allocation transfers (e.g., budget authority, obligations, outlays) is reported in the financial statements of the parent entity, from which the underlying legislative authority, appropriations and budget apportionments are derived. The Department allocates funds, as the parent, to the U.S. Army Corps of Engineers. The Department receives allocation transfers, as the child, from Treasury and the U.S. Department of Transportation.

2. Non-Entity Assets

($ IN MILLIONS)	FY 2013	FY 2012
Intragovernmental		
Investments - Petroleum Pricing Violation Escrow Fund (Notes 4 and 14)	$ 82	$ 75
Other	6	5
Subtotal	**$ 88**	**$ 80**
Investments - Petroleum Pricing Violation Escrow Fund (Notes 4 and 14)	173	181
Inventories - Department of Defense stockpile oil (Notes 8 and 14)	123	123
Other	1	1
Total non-entity assets	**$ 385**	**$ 385**
Total entity assets	179,521	180,495
Total assets	**$ 179,906**	**$ 180,880**

Assets in the possession of the Department that are not available for its use are considered non-entity assets.

PETROLEUM PRICING VIOLATION ESCROW FUND

The Petroleum Pricing Violation Escrow Fund represents receipts collected as a result of agreements or court orders with individuals or firms that violated petroleum pricing and allocation regulations during the 1970s and 1980s. These receipts are invested in Treasury securities and certificates of deposit at minority-owned financial institutions pending determination by the Department as to how to distribute the fund balance. The investments are liquidated, as needed, to make payments to claimants from this fund.

3. Fund Balance with Treasury

($ IN MILLIONS)	APPROPRIATED FUNDS	REVOLVING FUNDS	SPECIAL FUNDS	OTHER FUNDS	TOTAL
	FY 2013				
Unobligated budgetary resources					
Available	$ 8,645	$ 250	$ 523	$ -	$ 9,418
Unavailable (Note 27)	734	1,993	-	-	2,727
Obligated balance not yet disbursed					
Unpaid obligations (Note 27)	23,666	5,375	635	-	29,676
Uncollected customer payments from Federal sources	(3,993)	(641)	(29)	-	(4,663)
Deposit funds and clearing accounts	-	-	-	48	48
Other adjustments					
Appropriations and spending authority from offsetting collections temporarily not available pursuant to law, and contract authority	15	(1,439)	28	-	(1,396)
Collections temporarily not available pursuant to public law	47	-	-	-	47
Invested balances - payable - to be transferred	-	42	-	-	42
Unavailable receipt accounts	-	-	896	-	896
Borrowing authority not yet converted to fund balance	-	(2,386)	-	-	(2,386)
Budgetary resources invested in Treasury securities					
Nuclear Waste Fund	-	-	(22)	-	(22)
Uranium Enrichment D&D Fund	-	-	(180)	-	(180)
Power marketing administrations	-	(499)	-	-	(499)
Total Fund Balance with Treasury	**$ 29,114**	**$ 2,695**	**$ 1,851**	**$ 48**	**$ 33,708**
	FY 2012				
Unobligated budgetary resources					
Available	$ 8,898	$ 253	$ 469	$ -	$ 9,620
Unavailable (Note 27)	332	3,672	6	-	4,010
Obligated balance not yet disbursed					
Unpaid obligations (Note 27)	27,675	8,725	635	-	37,035
Uncollected customer payments from Federal sources	(4,045)	(1,423)	(27)	-	(5,495)
Deposit funds and clearing accounts	-	-	-	147	147
Other adjustments					
Appropriations temporarily not available pursuant to law, and contract authority	-	(1,272)	-	-	(1,272)
Collections temporarily not available pursuant to public law	47	-	-	-	47
Invested balances - payable - to be transferred	-	42	-	-	42
Unavailable receipt accounts	-	-	895	-	895
Borrowing authority not yet converted to fund balance	-	(6,051)	-	-	(6,051)
Budgetary resources invested in Treasury securities					
Nuclear Waste Fund	-	-	(25)	-	(25)
Uranium Enrichment D&D Fund	-	-	(133)	-	(133)
Power marketing administrations	-	(395)	-	-	(395)
Total Fund Balance with Treasury	**$ 32,907**	**$ 3,551**	**$ 1,820**	**$ 147**	**$ 38,425**

4. Investments and Related Interest, Net

($ IN MILLIONS)	FACE	UNAMORTIZED PREMIUM (DISCOUNT)	INTEREST RECEIVABLE	INVESTMENTS, NET	UNREALIZED MARKET GAINS (LOSSES)	MARKET VALUE
			FY 2013			
Intragovernmental Non-Marketable						
Nuclear Waste Fund	$ 50,598	$ (19,801)	$ 67	$ 30,864	$ 5,689	$ 36,553
D&D Fund	3,673	129	30	3,832	43	3,875
U.S. Enrichment Corporation Fund	1,608	1	3	1,612	-	1,612
Power marketing administrations	499	-	-	499	-	499
Petroleum Pricing Violation Escrow Fund (Notes 2 and 14)	82	-	-	82	-	82
Subtotal	**$ 56,460**	**$ (19,671)**	**$ 100**	**$ 36,889**	**$ 5,732**	**$ 42,621**
Petroleum Pricing Violation Escrow Fund (Notes 2 and 14)	173	-	-	173	-	173
Total investments and related interest, net	**$ 56,633**	**$ (19,671)**	**$ 100**	**$ 37,062**	**$ 5,732**	**$ 42,794**
			FY 2012			
Intragovernmental Non-Marketable						
Nuclear Waste Fund	$ 49,552	$ (20,856)	$ 75	$ 28,771	$ 9,969	$ 38,740
D&D Fund	4,022	131	36	4,189	108	4,297
U.S. Enrichment Corporation Fund	1,598	2	8	1,608	-	1,608
Power marketing administrations	395	1	1	397	-	397
Petroleum Pricing Violation Escrow Fund (Notes 2 and 14)	75	-	-	75	-	75
Subtotal	**$ 55,642**	**$ (20,722)**	**$ 120**	**$ 35,040**	**$ 10,077**	**$ 45,117**
Petroleum Pricing Violation Escrow Fund (Notes 2 and 14)	181	-	-	181	-	181
Total investments and related interest, net	**$ 55,823**	**$ (20,722)**	**$ 120**	**$ 35,221**	**$ 10,077**	**$ 45,298**

Pursuant to statutory authorizations, the Department invests monies in Treasury securities and commercial certificates of deposit that are secured by the Federal Deposit Insurance Corporation. The Department's investments primarily involve the Nuclear Waste Fund (NWF) and the Uranium Enrichment Decontamination and Decommissioning (D&D) Fund. Fees collected from owners and generators of spent nuclear fuel and high-level radioactive waste and fees collected from domestic utilities are deposited into the respective funds. Funds in excess of those needed to pay current program costs are invested in Treasury securities.

Upon privatization of the U.S. Enrichment Corporation Fund (USEC) on July 28, 1998, OMB and Treasury designated the Department as successor to USEC for purposes of disposition of balances remaining in the USEC Fund. These funds are invested in Treasury securities.

The federal government does not set aside assets to pay for expenditures associated with the funds for which the Department holds Treasury securities. These Treasury securities are an asset to the Department and a liability to Treasury. Because the Department and Treasury are both parts of the federal government, these assets and liabilities offset each other from the standpoint of the federal government as a whole. For this reason, they do not represent an asset or a liability in the U.S. Government-wide financial statements. Treasury securities provide the Department with authority to draw upon the U.S. Treasury to make expenditures, subject to available appropriations and OMB apportionments. When the Department requires redemption of these securities, the federal government finances those expenditures out of accumulated cash balances by raising taxes or other receipts, by borrowing from the public, repaying less debt, or by curtailing other expenditures. This is the same way the federal government finances all other expenditures.

5. Accounts Receivable, Net

($ IN MILLIONS)	FY 2013			FY 2012		
	RECEIVABLE	ALLOWANCE	NET	RECEIVABLE	ALLOWANCE	NET
Intragovernmental	$ 623	$ -	$ 623	$ 673	$ -	$ 673
Nuclear Waste Fund	3,245	-	3,245	3,242	-	3,242
Power marketing administrations	472	-	472	513	-	513
Other	578	(486)	92	178	(63)	115
Subtotal	**$ 4,295**	**$ (486)**	**$ 3,809**	**$ 3,933**	**$ (63)**	**$ 3,870**
Total accounts receivable	**$ 4,918**	**$ (486)**	**$ 4,432**	**$ 4,606**	**$ (63)**	**$ 4,543**

Intragovernmental accounts receivable primarily represent amounts due from other federal agencies for reimbursable work performed pursuant to the Economy Act, Atomic Energy Act, and other statutory authority.

Non-intragovernmental receivables primarily represent amounts due for NWF fees. NWF receivables are supported by contracts and agreements with owners and generators of spent nuclear fuel and high-level radioactive waste that contribute resources to the fund. Other receivables due from the public include reimbursable work billings and other trade receivables, and other miscellaneous receivables.

6. Regulatory Assets

($ IN MILLIONS)	FY 2013	FY 2012
Refinanced and additional appropriated capital	$ 5,474	$ 5,471
Residential exchange program scheduled and refund amounts	3,336	3,493
Non-operating facilities	2,172	2,665
Conservation and fish and wildlife measures	621	576
Other regulatory assets	318	248
Total regulatory assets	**$ 11,921**	**$ 12,453**

The Department's PMAs record certain amounts as assets in accordance with the Financial Accounting Standards Board's Accounting Standards Codification (FASB ASC) 980, *Regulated Operations*. The provisions of this standard require that regulated enterprises reflect rate actions of the regulator in their financial statements, when appropriate. These rate actions can provide reasonable assurance of the existence of an asset, reduce or eliminate the value of an asset, or impose a liability on a regulated enterprise. In order to defer incurred costs under this standard, a regulated entity must have the statutory authority to establish rates that recover all costs, and those rates must be charged to and collected from customers.

REFINANCED AND ADDITIONAL APPROPRIATED CAPITAL

BPA is responsible for paying Treasury for transmission and power generating assets that were funded by appropriations, including those of the U.S. Army Corps of Engineers (Corps) and Bureau of Reclamation (Reclamation). In accordance with FASB ASC 980, BPA records a regulatory asset based on this deferred cost that must be repaid to Treasury for those assets owned by the Corps and Reclamation. This regulatory asset is amortized between 68 and 75 years on a straight-line method based on the estimated service lives of the assets. The *Consolidated Balance Sheets* include a regulatory asset and a corresponding intragovernmental debt for refinanced and additional appropriations owed to the U.S. Treasury (see Note 12).

NON-OPERATING FACILITIES

BPA is responsible for repayment of debt for terminated Energy Northwest Nuclear Projects Nos. 1 and 3, as well as, Northern Wasco hydroelectric project. These assets are amortized over the term of the outstanding debt (see Note 12).

RESIDENTIAL EXCHANGE PROGRAM SCHEDULED AND REFUND AMOUNTS

Regulatory assets and corresponding liabilities were established under the 2012 Residential Exchange Program (REP) Settlement Agreement for future exchange benefits and refunds associated with disputes related to the Residential Exchange Program.

Under the provisions of the 2012 REP Settlement Agreement, beginning in fiscal year 2012, the Investor Owned Utilities (IOUs) receive a fixed schedule of REP benefit payments (Scheduled Amounts) of $4.066 billion, which will be paid over a 17 year period. The Scheduled Amounts are recorded at the present value of the remaining fixed schedule of REP benefits payable, which are to be recovered in rates through 2028.

Also included are REP Refund Amounts of $433 million present value as of September 30, 2013, representing refunds to customers (COUs) as established in the settlement agreement. BPA will recognize the refund and reduce expense in each year it is applied, until the Refund Amount is returned or eliminated (see Note 14).

CONSERVATION AND FISH AND WILDLIFE MEASURES

Conservation projects consist of the costs of capitalized conservation measures and are amortized over periods from 5 to 20 years. Fish and wildlife measures consist of the costs of capitalized fish and wildlife measures and are amortized over a period of 15 years.

OTHER REGULATORY ASSETS

Other regulatory assets primarily include accrued liabilities related to outstanding legal claims and settlement agreements (recovered and amortized through future rates over a period as established by the BPA Administrator); spacer damper replacement program costs to replace deteriorated spacer dampers (amortized over 25 or 30 years); Trojan nuclear facility decommissioning and site restoration costs reflect the amount to be recovered in future rates for funding the Trojan asset retirement obligation liability; and capital bond premiums reflecting losses related to refinanced U.S. Treasury debt (amortized over the life of the new debt instruments).

7. Direct Loans and Loan Guarantees, Net

($ IN MILLIONS)	FY 2013	FY 2012
Pre-FCRA loans	$ 3	$ 7
FCRA Direct loans		
ATVM	5,691	6,609
Title XVII	6,681	4,067
Total direct loans and 100% guarantee loans, net	**$ 12,375**	**$ 10,683**
FCRA Guarantee loans (guaranteed value)		
Title XVII	2,436	2,370
Total direct loans and loan guarantees, net	**$ 14,811**	**$ 13,053**

PRE-FCRA LOANS

The Department has two loans outstanding that were issued prior to the Federal Credit Reform Act of 1990 (FCRA). These loans are presented net of an allowance for loss of $30 million as of September 30, 2013 and $26 million as of September 30, 2012.

FCRA DIRECT LOANS AND LOAN GUARANTEES

The Department's direct loan obligations made post-fiscal year 1991, and the resulting direct loans, are governed by the FCRA. These FCRA loans are valued at the net present value of expected future cash flows, discounted at the interest rate of Treasury marketable securities. These are known as the subsidy costs, which include interest rate differentials, delinquencies, defaults, fees, and other cash flow items. The subsidy costs are intended to estimate the long-term cost to the U.S. Government of its loan programs. These costs are recognized in the year the loan is disbursed. A subsidy re-estimate is performed annually at September 30. The subsidy re-estimates take into account all factors that may have affected the estimated cash flows. Any adjustment resulting from the re-estimate is recognized as a subsidy expense.

The net present value of the FCRA direct loans is not necessarily representative of proceeds that might be expected if these loans were sold on the open market.

Interest revenue is accrued on a monthly basis on the loan balance outstanding at the interest rate assigned to that loan at the time of disbursement, net of any interest on non-performing loans over 90 days.

The Department operates the following FCRA direct loan and loan guarantee programs:

- Advanced Technology Vehicle Manufacturing (ATVM) Loan Program
- Title XVII Loan Guarantee Program for Innovative Technologies (Title XVII)

ATVM

Section 136 of the Energy Independence and Security Act of 2007 established the ATVM Incentive Program which authorizes direct loans to support the development of advanced technology vehicles and associated components in the U.S. The ATVM program provides loans to automobile and automobile part manufacturers for the cost of re-equipping, expanding, or establishing manufacturing facilities in the U.S. to produce advanced technology vehicles or qualified components, and for associated engineering integration costs. An automobile manufacturer applicant must demonstrate that the average adjusted fuel economy for its light duty fleet exceeds that of its entire fleet average for model year (MY) 2005, or if the applicant is a new automobile manufacturer, it must demonstrate that its ATVM vehicle meets or exceeds the industry adjusted average for model year 2005 for equivalent vehicles. All individual ATVM vehicles must be rated at or above 125% of the fuel economy standards for vehicles with substantially similar attributes

for MY 2005. The fiscal year 2009 Continuing Resolution (CR) enacted on September 30, 2008, appropriated $7.5 billion to support a maximum of $25 billion in loans under the ATVM.

The ATVM Program issues direct loans which are funded by the FFB with interest rates that are equal to the cost of funds to the Treasury for obligations of comparable maturity. The total subsidy cost for an ATVM direct loan is comprised of default subsidy, financing subsidy, and fees. The loan and subsidy are obligated at the time the conditional commitment is issued.

In determining the credit subsidy, the Department estimates a base borrower interest rate from the budget assumption yield curve used to discount cash flows that generates a zero financing subsidy when determining the final subsidy cost at the point of obligation. This base interest rate is used for calculating the subsidy cost only. Actual interest rates that borrowers pay are not affected. During the interest rate re-estimate, the actual interest rates and the discount rates are updated and will true-up the difference in the Treasury interest rates assumed in the original subsidy cost, and the actual Treasury rates at the point of disbursement, when the borrower interest rates are set.

The Department has received warrants in connection with one of the ATVM loans made. The Department has determined that the warrants have no value until the periods of vesting are reached or until certain conditions precedent occur. These warrants were cancelled and returned to borrower as they paid their loan off in full early, per loan agreement.

As of September 30, 2013, approximately $8.4 billion in loans has been obligated for five borrowers that have been approved and total disbursements have amounted to $7.3 billion.

One borrower modified their loan to change their principal repayment schedule. The discount rate used for this modification was the economic assumptions rates for fiscal year 2013.

The Department concluded the sale of the note of an ATVM borrower in default. One other ATVM borrower is currently in default. The present value of the estimated future cash flows for these loans is reflected in the balance sheet and tables in this footnote. A process to exit the remaining default transaction through a sale of the notes commenced in mid-September and completed November 22, 2013. The outstanding balance on the notes as of September 30, 2013 is $167.4 million.

TITLE XVII

The Energy Policy Act of 2005 (EPAct05) authorizes the Department to issue loan guarantees to eligible projects that "avoid, reduce, or sequester air pollutants or anthropogenic emissions of greenhouse gases" and "employ new or significantly improved technologies as compared to technologies in service in the U.S. at the time the guarantee is issued." Title XVII of EPAct05 provides broad authority for the Department to guarantee loans that support early commercial use of advanced technologies if "there is reasonable prospect of repayment of the principal and interest on the obligation by the borrower."

Under the Full-Year Continuing Appropriations Act of 2011, P.L. No. 112-10 (FY 2011 CR), Congress made available approximately $170 million in appropriated funds to pay the Credit Subsidy Costs of loan guarantees for renewable energy or efficient end-use energy technologies. An additional $1.5 billion in loan guarantee authority, where the applicants are obligated to pay the Credit Subsidy Costs for qualifying loan guarantees, is available under the FY 2011 CR and the Omnibus Appropriations Act, 2009, P.L. No. 111-8, as amended by Section 408 of the Supplemental Appropriations Act, 2009, P.L. No. 111-32. The Consolidated Appropriations Act, 2012, P.L. 112-74, amended Section 1702 of Title XVII to provide that the Department may combine an appropriation of Credit Subsidy Cost with a direct payment from the borrower to cover the total Credit Subsidy Cost of a loan guarantee. For nuclear power, front-end nuclear and advanced fossil projects, Section 1703 continues to operate as a “self-pay” program whereby borrowers pay the calculated subsidy cost.

In addition to the original program (Section 1703), the ARRA established a new Section 1705 of Title XVII and in fiscal year 2009, appropriated $5.965 billion to pay for the subsidy costs of loan guarantees for certain renewable energy systems, electric power transmission systems, and leading edge biofuel projects that commence construction no later than September 30, 2011. Public Law 111-47 required $2 billion of the subsidy funds to be transferred to the Department of Transportation to fund the “Cash for Clunkers” program. Public Law 111-226 required $1.5 billion of the subsidy funds to be rescinded. The loan and subsidy are obligated at the time the loan closes.

Both Section 1703 and 1705 programs are authorized to issue loan guarantees for up to 100 percent of a debt obligation, which must not exceed 80 percent of eligible project costs. In cases where the Department issues a 100 percent guarantee, the Final Rule requires that the FFB provide the funding. For the purpose of determining the credit subsidy, the Department models these loan guarantees as direct loans to reflect the economic reality to the federal government as a whole. Under Title XVII, the total subsidy cost for a direct loan is comprised of default subsidy and financing subsidy (as specified in the authorizing statute where fees offset administrative, not subsidy, costs).

In implementing the 1705 program, the Department also established the Financial Institution Partnership Program (FIPP) which supported loans for conventional renewable

energy generation projects with commercial financing. Under FIPP, the Department provided a guarantee for up to 80 percent of a loan. The goal of FIPP was to leverage the human and financial capital of private sector financial institutions in accelerating the loan application process, while balancing risk between the Department and private sector partners participating in the program. The subsidy related to FIPP loans was obligated at the time the loans closed.

In determining the credit subsidy, the Department estimates a base borrower interest rate from the budget assumption yield curve used to discount cash flows that generate a zero financing subsidy when determining the final subsidy cost at the point of obligation. The Department then adds a spread to that interest rate estimate to reflect any spread that the FFB may charge based on the terms and conditions of the loan guarantee agreement. This base interest rate is used for calculating the subsidy cost only. Actual interest rates that borrowers pay are not affected. During the interest rate re-estimate, the actual interest rates and the discount rates are updated and will true-up the difference in the Treasury interest rates assumed in the original subsidy cost, and the actual Treasury rates at the point of disbursement, when the borrower interest rates are set.

The Department has received warrants in connection with one of the Title XVII loans made. The Department has determined that the warrants have no value until the periods of vesting are reached or until certain conditions precedent occur. These warrants have expired never reaching a positive valuation prior to expiration.

As of September 30, 2013, conditional commitments to issue guarantees have been issued to four projects totaling $10.6 billion under the Section 1703 program. As of September 30, 2013, approximately $13.6 billion has been obligated to 26 projects under the Section 1705 program. Twenty projects with 100% guarantees of loans under the Section 1705 program, totaling approximately $9.4 billion have been obligated, of which $8.2 billion has been disbursed. Six projects receiving partial guarantees of loans under the Section 1705 FIPP totaling approximately $4.2 billion have been committed, of which $3.2 billion has been disbursed.

Three borrowers modified their loans. The changes included maturity date extensions and changes to the principal repayment schedule. The discount rate used for this modification was the economic assumptions rates for fiscal year 2013.

Two borrowers of loans guaranteed under Section 1705 are in bankruptcy. The present value of the estimated future cash flows for these loans is reflected in the balance sheet and tables in this footnote.

One borrower has completed the bankruptcy proceedings and the $11.9 million forgiven in bankruptcy has been written off and is reflected in the balance sheet and tables in this footnote.

Direct Loans and 100% Loan Guarantees Obligated and Disbursed Post 1991

($ IN MILLIONS)	LOANS RECEIVABLE, GROSS	INTEREST RECEIVABLE	ALLOWANCE FOR SUBSIDY COST (PRESENT VALUE)	VALUE OF ASSETS RELATED TO LOANS, NET	DISBURSED IN FISCAL YEAR
	FY 2013				
ATVM	$ 5,977	$ 6	$ (292)	$ 5,691	$ 186
Title XVII	8,241	48	(1,608)	6,681	2,924
Total loans	**$ 14,218**	**$ 54**	**$ (1,900)**	**$ 12,372**	**$ 3,110**
	FY 2012				
ATVM	$ 6,940	$ 6	$ (337)	$ 6,609	$ 2,176
Title XVII	5,294	27	(1,254)	4,067	3,276
Total loans	**$ 12,234**	**$ 33**	**$ (1,591)**	**$ 10,676**	**$ 5,452**

Subsidy Expense for Direct Loans and 100% Loan Guarantees by Program and Component

($ IN MILLIONS)	INTEREST DIFFERENTIAL	DEFAULTS	FEES AND OTHER COLLECTIONS	OTHER	TOTAL
	FY 2013				
Subsidy expense for new direct loans disbursed					
ATVM	$ -	$ 6	$ -	$ -	$ 6
Title XVII	(102)	471	-	-	369
Total	**$ (102)**	**$ 477**	**$ -**	**$ -**	**$ 375**
	INTEREST RE-ESTIMATES	**TECHNICAL RE-ESTIMATES**	**TOTAL RE-ESTIMATES**	**TOTAL MODIFICATIONS**	**TOTAL DIRECT LOAN SUBSIDY EXPENSE**
Re-estimates and Modifications					
ATVM	$ -	$ (6)	$ (6)	$ 1	$ 1
Title XVII	(566)	611	45	2	416
Total	**$ (566)**	**$ 605**	**$ 39**	**$ 3**	**$ 417**

($ IN MILLIONS)	INTEREST DIFFERENTIAL	DEFAULTS	FEES AND OTHER COLLECTIONS	OTHER	TOTAL
	FY 2012				
Subsidy expense for new direct loans disbursed					
ATVM	$ -	$ 840	$ (2)	$ -	$ 838
Title XVII	(115)	607	-	-	492
Total	**$ (115)**	**$ 1,447**	**$ (2)**	**$ -**	**$ 1,330**
	INTEREST RE-ESTIMATES	**TECHNICAL RE-ESTIMATES**	**TOTAL RE-ESTIMATES**	**TOTAL MODIFICATIONS**	**TOTAL DIRECT LOAN SUBSIDY EXPENSE**
Re-estimates and Modifications					
ATVM	$ (135)	$ (767)	$ (902)	$ -	$ (64)
Title XVII	(54)	93	39	-	531
Total	**$ (189)**	**$ (674)**	**$ (863)**	**$ -**	**$ 467**

Subsidy Rates for Direct Loans and 100% Loan Guarantees by Program and Component

	INTEREST DIFFERENTIAL	DEFAULTS	FEES AND OTHER COLLECTIONS	OTHER	TOTAL
	FY 2013				
ATVM	0.0%	0.0%	0.0%	0.0%	0.0%
Title XVII	0.0%	0.0%	0.0%	0.0%	0.0%
	FY 2012				
ATVM	0.0%	0.0%	0.0%	0.0%	0.0%
Title XVII	0.0%	0.0%	0.0%	0.0%	0.0%

Rates are the weighted-average of the individual loan subsidy rates for that program. The subsidy rates disclosed pertain only to the current year's cohorts. These rates cannot be applied to the direct loans disbursed during the current reporting year to yield the subsidy expense. The subsidy expense for new loans reported in the current year could result from disbursements of loans from both current year cohorts and prior year(s) cohorts. The subsidy expense reported in the current year also includes re-estimates.

Schedule for Reconciling Subsidy Cost Allowance Balances (Post-1991 Direct Loans and 100% Loan Guarantees)

($ IN MILLIONS)	FY 2013	FY 2012
Beginning balance of the subsidy cost allowance	$ 1,591	$ 1,227
Add: subsidy expense for direct loans disbursed during the reporting years by component		
Interest rate differential costs	(102)	(115)
Default costs (net of recoveries)	477	1,447
Fees and other collections	-	(2)
Total of the above subsidy components	$ 375	$ 1,330
Adjustments:		
(a) Loan modifications	3	-
(b) Subsidy allowance amortization	(54)	(103)
(c) Loans written off	(54)	-
Ending balance of subsidy cost allowance before re-estimates	$ 1,861	$ 2,454
Add or subtract subsidy re-estimates by component		
Interest rate re-estimates	(566)	(189)
Technical/default re-estimates	605	(674)
Ending balance of subsidy cost allowance	**$ 1,900**	**$ 1,591**

Guaranteed Loans Outstanding

($ IN MILLIONS)	PRINCIPAL OF GUARANTEED LOANS FACE VALUE	AMOUNT OF OUTSTANDING PRINCIPAL GUARANTEED
	FY 2013	
Title XVII	$ 3,045	$ 2,436
	FY 2012	
Title XVII	$ 2,963	$ 2,370

New Guaranteed Loans Disbursed

($ IN MILLIONS)	PRINCIPAL OF GUARANTEED LOANS FACE VALUE	AMOUNT OF PRINCIPAL GUARANTEED
	FY 2013	
Title XVII	$ 166	$ 133
	FY 2012	
Title XVII	$ 1,264	$ 1,011

Liability for Loan Guarantees, Present Value Method

($ IN MILLIONS)	FY 2013	FY 2012
Title XVII	$ 183	$ 157

Subsidy Expense for New Loan Guarantees by Program and Component

($ IN MILLIONS)	INTEREST SUPPLEMENTS	DEFAULTS	FEES AND OTHER COLLECTIONS	OTHER	TOTAL
	FY 2013				
Subsidy expense for new loan guarantees Title XVII	$ -	$ 8	$ -	$ -	$ 8
	INTEREST RE-ESTIMATES	TECHNICAL RE-ESTIMATES	TOTAL RE-ESTIMATES		TOTAL LOAN GUARANTEE SUBSIDY EXPENSE
Re-estimates Title XVII	$ -	$ 14	$ 14		$ 22
($ IN MILLIONS)	INTEREST SUPPLEMENTS	DEFAULTS	FEES AND OTHER COLLECTIONS	OTHER	TOTAL
	FY 2012				
Subsidy expense for new loan guarantees Title XVII	$ -	$ 66	$ -	$ -	$ 66
	INTEREST RE-ESTIMATES	TECHNICAL RE-ESTIMATES	TOTAL RE-ESTIMATES		TOTAL LOAN GUARANTEE SUBSIDY EXPENSE
Re-estimates Title XVII	$ 14	$ (14)	$ -		$ 66

Subsidy Rates for Loan Guarantees by Program and Component

	INTEREST SUPPLEMENTS	DEFAULTS	FEES AND OTHER COLLECTIONS	OTHER	TOTAL
	FY 2013				
Title XVII	0.0%	0.0%	0.0%	0.0%	0.0%
	FY 2012				
Title XVII	0.0%	0.0%	0.0%	0.0%	0.0%

Rates are the weighted-average of the individual loan subsidy rates for that program. The subsidy rates disclosed pertain only to the current year's cohorts. These rates cannot be applied to the guaranteed loans disbursed during the current reporting year to yield the subsidy expense. The subsidy expense for new loans reported in the current year could result from disbursements of loans from both current year cohorts and prior year(s) cohorts. The subsidy expense reported in the current year also includes re-estimates.

Schedule for Reconciling Loan Guarantee Liability Balances (Post-1991 Loan Guarantees)

($ IN MILLIONS)	FY 2013	FY 2012
Beginning balance of the loan guarantee liability	$ 157	$ 86
Add: subsidy expense for guaranteed loans disbursed during the reporting years by component		
Default costs (net of recoveries)	8	66
Total of the above subsidy components	$ 8	$ 66
Adjustments:		
Interest Accumulation on the liability balance	4	5
Ending balance of loan guarantee liability before re-estimates	$ 169	$ 157
Add or subtract subsidy re-estimates by component		
Interest rate re-estimates	-	14
Technical/default re-estimates	14	(14)
Ending balance of loan guarantee liability	**$ 183**	**$ 157**

Administrative Expenses

($ IN MILLIONS)	FY 2013	FY 2012
Direct loan program - ATVM	$ 7	$ 10
Loan guarantee program - Title XVII	$ 45	$ 61

8. Inventory, Net

Inventory includes stockpile materials consisting of crude oil held in the Strategic Petroleum Reserve (SPR) and the Northeast Home Heating Oil Reserve, nuclear materials, and other inventory consisting primarily of operating materials and supplies.

STRATEGIC PETROLEUM RESERVE

The SPR consists of crude oil stored in salt domes, terminals, and pipelines. As of September 30, 2013, and September 30, 2012, the SPR contained crude oil with a historical cost of $20,671 million and $20,637 million, respectively. The SPR provides a response mechanism should a severe oil disruption occur. Included in the SPR is six million barrels of crude oil held for future Department of Defense (DoD) use. The fiscal year 1993 Defense Appropriations Act authorized the Department to acquire, transport, store, and prepare for ultimate drawdown of crude oil for DoD. The crude oil purchased with DoD funding is commingled with the Department's stock and is valued at its historical cost of $123 million at September 30, 2013, and September 30, 2012 (see Notes 2 and 14).

NORTHEAST HOME HEATING OIL RESERVE

The Northeast Home Heating Oil Reserve was established in fiscal year 2000 pursuant to the Energy Policy and Conservation Act. The Reserve contains petroleum distillate in the New England, New York, and New Jersey geographic areas. In June 2012, the SPR purchased heating

oil. The historical cost of the reserve was $141 million as of September 30, 2013 and September 30, 2012.

NUCLEAR MATERIALS

Nuclear materials include weapons materials and related components, including those in the custody of the DoD under Presidential Directive, and materials used for research and development purposes. Certain surplus plutonium carried at zero value (a provision for disposal is included in environmental liabilities) has significant arms control and nonproliferation value and is instrumental to the U.S. in ensuring that Russia continues toward the disposition of its weapons-grade plutonium.

The Department currently has natural uranium inventories of 11,546 metric tons (MTU) of uranium hexafluoride (UF6). As of September 30, 2013, this material can be divided into two stockpiles of U.S. origin (5,234 MTU of UF6) and Russian origin material (6,312 MTU of UF6).

The Department has bartered since 2009 for certain contractor services at Portsmouth with uranium inventory. Barter for services with USEC totaled 1,473 MTU (UF6). In addition, under the D&D contract awarded in the fall of 2010 and a new Secretarial Determination to comply with the 1996 Privatization Act, an additional 825 MTU was bartered with Fluor, Babcock and Wilcox LLC in fiscal year 2011. The 2011 Secretarial determination concluded that bartering up to 1,600 MTU per year through fiscal year 2013 would not have an adverse impact on the domestic uranium mining, conversion or enrichment industry. A new Secretarial Determination issued in May 2012 concluded that bartering up to 2,400 MTU per year of UF6 through fiscal year 2021, with an additional 400 MTU allocated to NNSA contracts would not have an adverse impact on the domestic uranium mining, conversion or enrichment industry.

The nuclear materials inventory includes numerous items for which future use and disposition decisions have not been made. Decisions will be made through analysis of the economic benefits and costs, and the environmental impacts of the various use and disposition alternatives. The carrying value of these items is not significant to the nuclear materials stockpile inventory balance. The Department will recognize disposition liabilities and record the material at net realizable value when disposal as waste is identified as the most likely alternative and disposition costs can be reasonably estimated. Inventory values are reduced by costs associated with decay or damage.

The nuclear materials inventory also includes highly enriched uranium (HEU). Under a declaration by the Nuclear Weapons Council and an announcement by the Secretary of Energy in 1996, 175.1 MTU of the Department's HEU was identified as excess to national security needs. Most of this material (about 153 MTU) will be down-blended for sale as low enriched uranium (LEU) and used over time as commercial or research nuclear reactor fuel to recover its value. The remaining portion (about 22 MTU) of the material is already in the form of irradiated fuel or other waste forms and will be disposed of directly as waste. In November 2005, the Secretary of Energy declared that the NNSA would remove up to 200 MTU of HEU, in the coming decades, from further use as fissile material in nuclear weapons. Out of the 200 MTU, approximately 20 MTU will be down-blended to LEU for use in commercial or research reactors, 20 MTU will be used for research and 160 MTU will be provided to Naval Reactors for programmatic use. Approximately 8 MTU of the Naval Reactors material has been rejected by Naval Reactors and re-designated for down-blending and sale as LEU fuel. Down-blending of this material will occur over the coming decades.

The Department released the Excess Uranium Inventory Management Plan on July 3, 2013 (2013 Plan). The 2013 Plan seeks to provide the public and interested stakeholders updated information on programs and foreseeable mission needs, including additions to and deletions from the inventory and changes to DOE's uranium management strategy since the issuance of a previous plan in 2008.

9. General Property, Plant, and Equipment, Net

($ IN MILLIONS)	ACQUISITION COSTS	ACCUMULATED DEPRECIATION	NET BOOK VALUE	ACQUISITION COSTS	ACCUMULATED DEPRECIATION	NET BOOK VALUE
	FY 2013			FY 2012		
Land and land rights	$ 2,074	$ (955)	$ 1,119	$ 2,009	$ (930)	$ 1,079
Structures and facilities	45,949	(26,787)	19,162	39,937	(25,903)	14,034
Internal use software	895	(600)	295	715	(536)	179
Equipment	18,610	(11,946)	6,664	18,155	(11,660)	6,495
Natural resources	108	(16)	92	103	(15)	88
Construction work in process	6,013	-	6,013	10,904	-	10,904
Total general property, plant & equipment	**$ 73,649**	**$ (40,304)**	**$ 33,345**	**$ 71,823**	**$ (39,044)**	**$ 32,779**

10. Other Non-Intragovernmental Assets

($ IN MILLIONS)	FY 2013	FY 2012
Operating non-federal projects	$ 3,244	$ 3,318
Prepaid pension plan costs (Note 16)	116	130
Prepayments and advances	202	232
Non-federal nuclear decommissioning trusts	255	236
Oil due from others	-	34
Other	293	343
Total other non-intragovernmental assets	**$ 4,110**	**$ 4,293**

OPERATING NON-FEDERAL PROJECTS

BPA contracted to acquire all of the generating capability of Energy Northwest's Columbia Generating Station (CGS) nuclear power plant and Lewis County PUD's Cowlitz Falls hydroelectric project. The contracts to acquire the generating capability of the facilities require BPA to pay all or part of the facilities operating, maintenance, and debt service costs. BPA recognizes expenses for these projects based upon the total project cash funding requirements. These assets in the *Consolidated Balance Sheets* are related to non-federal debt associated with the generation assets and are amortized over the term of the outstanding debt (see Note 12).

NON-FEDERAL NUCLEAR DECOMMISSIONING TRUSTS

BPA recognizes an asset that represents trust fund balances for decommissioning and site restoration costs. External trust funds for decommissioning and site restoration costs are funded monthly for CGS. The trust funds are expected to provide for decommissioning at the end of the project's safe storage period in accordance with the Nuclear Regulatory Commission (NRC) requirements. The NRC requires that this period be no longer than 60 years from the time the plant stops operating. In May 2012, the NRC renewed CGS's operating license for an additional 20 years and the license now expires in 2043. Trust fund requirements for CGS are based on an NRC decommissioning cost estimate and the license termination date. The trusts are funded and managed by BPA in accordance with the NRC requirements and site certification agreements.

OIL DUE FROM OTHERS

Due to Hurricane Isaac, the SPR contracted with oil companies to loan SPR oil in exchange for the return of contracted plus premium barrels related to the exchange. In September 2012, the SPR delivered 998,008 barrels of oil from the reserve in exchange for 1,018,556 barrels to be returned back to the reserve by December 2012. As of September 30, 2012, the oil due to the reserve was valued at $34 million. All barrels due were returned as of February 2013.

OTHER

Other non-intragovernmental assets include lease financing trust funds that are held in separate trust accounts for the construction of transmission assets, settlements receivable, and unrealized gains from BPA's derivative portfolio.

11. Liabilities Not Covered By Budgetary Resources

($ IN MILLIONS)	FY 2013	FY 2012
Intragovernmental		
Debt (Note 12)	$ 13,197	$ 12,731
Other	16	15
Total intragovernmental	**$ 13,213**	**$ 12,746**
Debt (Note 12)	5,949	6,127
Nuclear Waste Fund deferred revenues (Note 13)	34,127	32,030
Environmental liabilities (Note 15)	278,677	266,826
Pension and other actuarial liabilities (Note 16)	21,445	31,537
Capital leases (Note 17)	72	77
Other liabilities		
Residential exchange - scheduled amounts (Note 14)	2,904	2,993
Environment, safety, and health compliance activities (Note 14)	1,209	1,319
Accrued annual leave for Federal employees	142	146
Other	55	68
Contingencies and commitments (Note 18)	21,485	19,853
Total liabilities not covered by budgetary resources	**$ 379,278**	**$ 373,722**
Total liabilities covered by budgetary resources	25,240	24,911
Total liabilities	**$ 404,518**	**$ 398,633**

12. Debt

($ IN MILLIONS)	BEGINNING BALANCE	NET BORROWINGS	ENDING BALANCE	BEGINNING BALANCE	NET BORROWINGS	ENDING BALANCE
	FY 2013			FY 2012		
Intragovernmental - not covered (Note 11)						
Borrowing from Treasury	$ 3,612	$ 331	$ 3,943	$ 3,104	$ 508	$ 3,612
Appropriated capital	3,762	154	3,916	3,772	(10)	3,762
Refinanced & additional	3,820	46	3,866	3,908	(88)	3,820
Capitalization adjustment	1,537	(65)	1,472	1,602	(65)	1,537
Subtotal	**$ 12,731**	**$ 466**	**$ 13,197**	**$ 12,386**	**$ 345**	**$ 12,731**
Intragovernmental - covered						
Borrowing from Treasury	$ 4	$ 20	$ 24	$ -	$ 4	$ 4
Borrowing from FFB	12,108	1,748	13,856	6,921	5,187	12,108
Subtotal	**$ 12,112**	**$ 1,768**	**$ 13,880**	**$ 6,921**	**$ 5,191**	**$ 12,112**
Debt held by the public (Note 11)	6,127	(178)	5,949	5,763	364	6,127
Total debt	**$ 30,970**	**$ 2,056**	**$ 33,026**	**$ 25,070**	**$ 5,900**	**$ 30,970**

BORROWING FROM TREASURY

BPA is authorized by Congress, to issue to the U.S. Treasury and have outstanding at any one time up to $7,700 million of interest-bearing bonds or related debt instruments with terms and conditions comparable to debt issued by U.S. government corporations. The debt may be issued to finance BPA's capital programs, which include Corps and Reclamation direct–funded capital investments. Of the $7,700 million, $750 million can be issued to finance Northwest Power Act related expenses and $1,250 million is restricted for conservation and renewable resources.

The Western Area Power Administration has authority to borrow up to $3.25 billion from Treasury for planning, constructing, financing, operating, or maintaining new or upgraded electric power transmission lines and facilities; and for delivering or facilitating the delivery of power generated by renewable energy.

The Department is authorized to borrow from Treasury if cash previously collected is not enough to cover interest expense and other items related to the loan programs. As of September 30, 2013 the maturity range of the debt was

September 30, 2018 to September 30, 2040 and the interest rate range was 1.570 percent to 4.723 percent. As of September 30, 2012 the maturity date of the debt was September 30, 2040 and the interest rate was 4.341 percent. Borrowings from Treasury related to loan programs are considered covered by budgetary resources as there is no congressional action necessary to pay the debt.

BORROWING FROM THE FFB

To finance its loan programs, the Department is required to use the FFB for the ATVM program and the 100 percent loan guarantees of the Title XVII program. As of September 30, 2013 and September 30, 2012, the maturity range of the debt was from February 5, 2014 to September 28, 2040 and August 5, 2013 to September 28, 2040, respectively. The interest rate range as of September 30, 2013 and September 30, 2012 was from 1.000 percent to 4.723 percent and from 1.000 percent to 4.723 percent, respectively. All debt from the FFB is considered covered by budgetary resources as there is no congressional action necessary to pay the debt.

APPROPRIATED CAPITAL

Appropriated capital owed represents the balance of appropriations provided to the Department's PMAs for construction, operation, and maintenance of power facilities that will be repaid to Treasury's General Fund and the Department of the Interior's (Interior) Reclamation Fund. The amount owed also includes accumulated interest on the net unpaid federal investment in the power projects. The federal investment in these facilities is to be repaid within 50 years from the time the facilities are placed in service or are commercially operational. Replacements of federal investments are generally expected to be repaid over their useful service lives. There is no requirement for repayment of a specific amount of federal investment on an annual basis.
Each of the PMAs, except for BPA, receives an annual appropriation to fund construction, operation, and maintenance expenses. These appropriated funds are repaid to Treasury's General Fund and Interior from the revenues generated from the sale of power and transmission services. To the extent that funds are not available for payment, such unpaid annual net deficits become payable from the subsequent years' revenues prior to any repayment of federal investment. The Department treats these appropriations as a debt owed to Treasury's General Fund and Interior, and as such, the *Consolidated Statements of Changes in Net Position* do not reflect these funds as appropriated capital used.

Except for the appropriation refinancing asset described in Note 6 and in the next paragraph, the Department's financial statements do not reflect the federal investment in power generating facilities owned by the Corps; Interior, Reclamation; and the Department of State, International Boundary and Water Commission. The Department's PMAs, except BPA, are responsible for collecting, and remitting to Treasury, revenues resulting from the sale of hydroelectric power generated by these facilities (see Note 28). BPA makes annual payments to Treasury from its net proceeds.

REFINANCED AND ADDITIONAL APPROPRIATED CAPITAL

As discussed in Note 6, BPA refinanced its unpaid capital appropriations as of September 30, 1996, and is responsible for the repayment of additional appropriated capital investment after the Refinancing Act. Repayment amounts were determined based on the date the respective facilities were placed in service using the weighted-average service lives of the associated investments, not to exceed 50 years. BPA repays amounts owed to Treasury's General Fund and Interior's Reclamation Fund. Federal appropriations may be paid early without penalty. All outstanding Federal appropriations are due 2019 and thereafter.

CAPITALIZATION ADJUSTMENT

Capitalization adjustment is the difference between BPA's appropriated debt before and after refinancing per the BPA Refinancing Section of the Omnibus Consolidated Rescissions and Appropriations Act of 1996 (Refinancing Act), 16 U.S.C. 838(I). The adjustment is being amortized over the remaining period of repayment so that total net interest expense is equal to what it would have been in the absence of the Refinancing Act.

DEBT HELD BY THE PUBLIC

Debt held by the public includes liabilities associated with the BPA non-operating facilities discussed in Note 6, the BPA purchased generating capability discussed in Note 10, customer prepaid power purchases, and other debt service described below.

During fiscal year 2013, BPA entered into agreements with four regional consumer-owned utilities for the express advance payment of customer power purchases. Under this program, customers purchased prepaid power in blocks through fiscal year 2028. For each block purchased, BPA provides monthly fixed credits on the customers' power bills.

In March 2013, BPA received $340 million representing $474 million in scheduled credits for blocks purchased by customers. BPA accounts for the prepayment proceeds as a financing transaction and reports the value of the obligations associated with the fixed credits as a prepaid liability. Interest expense is recognized using a weighted-average effective interest rate of 4.5 percent. The prepaid liability is reduced as power is delivered and the credits are applied.

BPA has also agreed to fund debt service on Conservation and Renewable Energy System and City of Tacoma Conservation bonds issued to finance conservation programs sponsored by BPA.

The following table summarizes future principal and interest payments required for the debt described above.

($ IN MILLIONS) FISCAL YEAR	BORROWING FROM TREASURY	BORROWING FROM FFB	APPROPRIATED CAPITAL	REFINANCED APPROPRIATIONS	CAPITALIZATION ADJUSTMENT	DEBT HELD BY THE PUBLIC
2014	$ 205	$ 1,838	$ 18	$ -	$ 65	$ 612
2015	210	1,056	68	-	65	604
2016	30	1,139	149	-	65	604
2017	68	815	181	-	65	597
2018	9	833	225	-	65	935
2019+	3,445	8,175	3,275	3,866	1,147	2,597
Total	**$ 3,967**	**$ 13,856**	**$ 3,916**	**$ 3,866**	**$ 1,472**	**$ 5,949**

13. Deferred Revenues and Other Credits

($ IN MILLIONS)	FY 2013	FY 2012
Intragovernmental	$ 95	$ 96
Nuclear Waste Fund (Note 11)	$ 34,127	$ 32,030
Power marketing administrations	1,252	1,301
Reimbursable work advances	379	317
Other	526	558
Subtotal	**$ 36,284**	**$ 34,206**
Total deferred revenues and other credits	**$ 36,379**	**$ 34,302**

NUCLEAR WASTE FUND

NWF revenues are accrued based on fees assessed against owners and generators of high-level radioactive waste and spent nuclear fuel and interest accrued on investments in Treasury securities. These revenues are recognized as a financing source as costs are incurred for NWF activities. Revenues that exceed the NWF expenses are deferred.

POWER MARKETING ADMINISTRATIONS

PMA deferred revenues and other credits primarily represent advances and unearned revenues. Primary components include 1) regulatory liabilities primarily related to accumulated plant removal costs collected through rates as part of depreciation and CGS decommissioning and site restoration costs; 2) customer reimbursable projects that consist of advances received from customers where either the customer or BPA will own the resulting asset; 3) generation interconnection agreement funds held as security for requested new network upgrades and interconnection that will be returned as credits against future transmission service; 4) unearned revenues from customers related to the Third AC intertie capacity project; 5) derivative instruments reflect the unrealized loss of the derivative portfolio which includes physical power purchase and sale transactions and 6) fiber optic leasing fees that reflect unearned revenue related to the leasing of the fiber optic cable.

14. Other Liabilities

($ IN MILLIONS)	FY 2013	FY 2012
Intragovernmental		
Oil held for Department of Defense (Notes 2 and 8)	$ 123	$ 123
Petroleum Pricing Violation Escrow Fund (Notes 2 and 4)	248	248
Downward re-estimates on loans outstanding	87	995
Other	85	112
Total other intragovernmental liabilities	**$ 543**	**$ 1,478**
Environment, safety, and health compliance activities (Notes 11, 25 and 26)	$ 1,209	$ 1,319
Accrued payroll, benefits, and withholding taxes	1,312	1,290
Residential exchange	3,432	3,588
Petroleum Pricing Violation Escrow Fund (Notes 2 and 4)	7	8
Asset retirement obligations	172	161
Other	257	357
Subtotal	**$ 6,389**	**$ 6,723**
Total other liabilities	**$ 6,932**	**$ 8,201**

DOWNWARD RE-ESTIMATES ON LOANS OUTSTANDING

FCRA requires that the present value of loans outstanding be updated at the end of each fiscal year. If the present value of any loan increases (i.e., the government's cost of the loan is lower than previously estimated), a downward re-estimate is recorded. The downward re-estimate results in excess subsidies collected that must be returned to the Treasury's general fund in the following fiscal year.

ENVIRONMENT, SAFETY, AND HEALTH COMPLIANCE ACTIVITIES

The Department's environment, safety, and health (ES&H) liability represents those activities necessary to bring facilities and operations into compliance with existing ES&H laws and regulations (e.g., Occupational Safety and Health Act; Clean Air Act; Safe Drinking Water Act). Types of activities included in the estimate relate to the following: upgrading site-wide fire and radiological programs; nuclear safety upgrades; industrial hygiene and industrial safety; safety related maintenance; emergency preparedness programs; life safety code improvements; and transportation of radioactive and hazardous materials. The estimate covers corrective actions expected to be performed in future years for programs outside the purview of the Department's Environmental Management (EM) Program. ES&H activities within the purview of the EM program are included in the environmental liability estimate.

ACCRUED PAYROLL, BENEFITS, AND WITHHOLDING TAXES

Accrued payroll and benefits represent amounts owed to the Department's federal and contractor employees for accrued payroll, unfunded accrued annual leave for federal employees, funded accrued annual leave for contractor employees, payroll withholdings owed to state and local governments, and Thrift Savings Plan withholdings and employer contributions.

RESIDENTIAL EXCHANGE

In order to provide qualifying regional utilities, primarily IOUs, access to benefits from the Federal Columbia River Power System, Congress established the REP in Section 5(c) of the Northwest Power Act. Whenever a Pacific Northwest electric utility offers to sell power to BPA at the utility's average system cost of resources, BPA purchases such power and offers, in exchange, to sell an equivalent amount of power at BPA's priority firm exchange rate to the utility for resale to that utility's residential and small farm consumers. REP costs are forecasted for each year of the rate period and included in the revenue requirement for establishing rates. The cost of this program is collected through rates. Program costs are recognized when incurred net of the purchase and sale of power under the REP.

In May 2007, the U.S. Court of Appeals for the Ninth Circuit (Ninth Circuit Court) ruled that the REP settlements were inconsistent with the Northwest Power Act and that BPA improperly allocated settlement costs to BPA's preference rates. In response to that ruling, in fiscal year 2008, BPA reduced the REP settlement agreement liability and regulatory asset to zero and conducted the 2007 Supplemental Wholesale Power Rate Case (WP-07 Supplemental Rate Case). This rate case established Lookback Amounts (representing amounts over-collected from consumer owned utilities (COUs) in prior year's rates, which also represented the amounts overpaid to the IOUs in the prior year's settlement agreements) that were also confirmed in the subsequent 2010 Wholesale Power and Transmission Rate Adjustment Proceeding. The Lookback Amount was recorded as both a regulatory asset, representing amounts to be collected from IOUs through future rate proceedings, and a regulatory liability, representing amounts to be credited to the COUs on future bills.

In fiscal year 2011, the BPA administrator signed the 2012 Residential Exchange Program Settlement Agreement (Settlement Agreement), resolving disputes related to the REP. The Settlement Agreement provides for fixed "Scheduled Amounts" payable to the IOUs, as well as fixed "Refund Amounts" payable to the COUs. The Settlement Agreement eliminates the Lookback Amounts as of September 30, 2011, and replaces them with the Refund Amounts for amounts overpaid by the COUs. These amounts do not reduce rates but are reflected as credits to qualifying COUs' bills as designated in the Settlement Agreement. BPA utilizes the rates process to reduce the IOUs' benefits and thus reduce the expense in the year it is applied.

Under the provisions of the Settlement Agreement, beginning in fiscal year 2012, the IOUs' Residential Exchange benefits are being reduced through the rates process to reflect the Scheduled Amounts through fiscal year 2028. The Residential Exchange Schedule amounts liability was $2,904 million and $2,993 million as of September 30, 2013 and September 30, 2012 respectively and is offset with a regulatory asset (see Notes 6 and 11).

The 2013 Refund Amounts are to be provided as credits on COUs' monthly bills through fiscal year 2019. The REP Refund Amounts liability, which is offset by regulatory assets, was $433 million and $500 million as of September 30, 2013, and September 30, 2012, respectively (see Note 6).

Also included within the Residential Exchange Program liabilities as of September 30, 2013, is $95 million related to true-up of interim agreements with interest and other smaller items.

ASSET RETIREMENT OBLIGATIONS

Asset retirement obligations (AROs) represent BPA's legal obligations related to dismantlement and restoration costs on non-federally owned or operated nuclear facilities. The AROs relate primarily to CGS decommissioning and site restoration, terminated Energy Northwest Project Nos. 1 and 4 site restoration, and decommissioning costs for the

former Trojan nuclear power plant. The liability is adjusted for any revisions, expenditures and the passage of time. BPA also has tangible long-lived transmission assets without an associated ARO since no future obligation exists to remove these assets.

OTHER LIABILITIES

Other liabilities consist primarily of custodial and non-custodial deposit funds, suspense accounts, receipts due to Treasury, and contract advances.

15. Environmental Cleanup and Disposal Liabilities

($ IN MILLIONS)	FY 2013	FY 2012
Beginning balance	$ 268,401	$ 250,569
Changes to environmental cleanup and disposal liability estimates	18,014	25,262
Costs applied to reduction of legacy environmental liabilities (Note 24)	(4,658)	(5,524)
Capital expenditures related to remediation activities	(1,487)	(1,906)
Ending environmental cleanup and disposal liabilities	**$ 280,270**	**$ 268,401**
Unfunded environmental liabilities (Note 11)	$ 278,677	$ 266,826
Funded environmental liabilities	1,593	1,575
Total environmental cleanup and disposal liabilities	**$ 280,270**	**$ 268,401**

After World War II, the U.S. developed a massive industrial complex to research, produce, and test nuclear weapons and commercial nuclear power reactors. The nuclear complex was comprised of nuclear reactors, chemical processing buildings, metal machining plants, laboratories, and maintenance facilities.

At all sites where these activities took place, some environmental contamination occurred. This contamination was caused by the production, storage, and use of radioactive materials and hazardous chemicals, which resulted in contamination of soil, surface water, and groundwater. In particular, the environmental legacy of nuclear weapons production also includes thousands of contaminated buildings and large volumes of waste and special nuclear materials requiring treatment, stabilization, and disposal. Approximately one-half million cubic meters of radioactive high-level, mixed, and low-level wastes must be stabilized, safeguarded, and dispositioned. Additionally, a quantity of plutonium sufficient to fabricate thousands of nuclear weapons must be safely disposed.

Furthermore, the Nuclear Waste Policy Act of 1982 (the Act) established the Department's responsibility to provide for permanent disposal of the Nation's high-level radioactive waste and spent nuclear fuel. The Act requires all owners and generators of high-level nuclear waste and spent nuclear fuel, including the Department, to pay their respective shares of the full cost of the program. To that end, the Act establishes a fee on owners and generators that the Department must collect and annually assess to determine its adequacy. The Department's liability reflects its share of the estimated future costs of the program based on its inventory of high-level waste and spent nuclear fuel. The Department's liability does not include the portion of the cost attributable to other owners and generators.

In addition to the assumptions and uncertainties discussed above, the following key assumptions and uncertainties relate to the Department's estimates:

- The Department has identified approximately 10,500 potential release sites from which contaminants could migrate into the environment. Although virtually all of these sites have been at least partially characterized, final remedial action and regulatory decisions have not been made for many sites. Site-specific assumptions regarding the amount and type of contamination and the remediation technologies that will be utilized were used in estimating the environmental liability related to these sites.
- Cost estimates for management of the Department's high-level waste have been predicated upon assumptions as to the timing and rate of acceptance of the waste at a geologic repository. Changes in high-level waste disposition plans could cause Departmental projected costs to change.
- Estimates are based on remedies considered technically and environmentally reasonable and achievable by local project managers and appropriate regulatory authorities.
- Estimated cleanup costs at sites for which there is no current feasible remediation approach are excluded from the estimates, although applicable stewardship and monitoring costs for these sites are included. An example of such a site is the nuclear explosion test area at the Nevada National Security Site. The Department has not been required via regulation to establish remediation activities for these sites.

Changes to the Department's estimates during fiscal years 2013 and 2012 resulted from inflation adjustments to reflect constant dollars for the current year; improved and updated estimates for the same scope of work, including changes resulting from deferral or acceleration of work; revisions in technical approach or scope; regulatory changes; and cleanup activities performed.

The Department's liabilities also include the estimated cleanup and post-closure responsibilities, including surveillance and monitoring activities, soil and groundwater remediation, and disposition of excess material for sites. The Department is responsible for the post-closure activities at many of the closure sites as well as other sites (former uranium mills and certain sites remediated by the U.S. Army Corps of Engineers). The costs for these post-closure activities are estimated for a period of 75 years after the balance sheet date, i.e., through 2088 in fiscal year 2013 and through 2087 in fiscal year 2012. While some post-cleanup monitoring and other long-term stewardship activities post 2088 are included in the liability, there are others the Department expects to continue beyond 2088 for which the costs cannot reasonably be estimated.

A portion of the environmental liability at various field sites includes anticipated costs for facilities managed by the Department's ongoing program operations which will ultimately require stabilization, deactivation, and decommissioning. The estimate is largely based upon a cost-estimating model. Site-specific estimates are used, in lieu of the cost-estimating model, when available. Cost estimates for ongoing program facilities are updated each year. For facilities newly contaminated since fiscal year 1997, environmental liability costs are allocated to the periods benefiting from the operations of the facilities. Facilities cleanup costs allocated to future periods and not included in the liability amounted to $766 million at September 30, 2013, and $808 million at September 30, 2012.

Estimating the Department's environmental cleanup liability requires making assumptions about future activities and is inherently uncertain. The future course of the Department's environmental cleanup and disposal will depend on a number of fundamental technical and policy choices, many of which have not been made. The cost and environmental implications of alternative choices can be profound. For example, some contaminated sites and facilities could be restored to a condition suitable for any desired use; they could also be restored to a point where they pose no near-term health risks to surrounding communities but are essentially secured, monitored, and left in place. Achieving the former conditions would have a higher cost but may, or may not, warrant the costs or be legally required. The estimates reflect applicable decisions and current expectations as to the extent of cleanup and site and facility reuse, which include consideration of Congressional mandates, regulatory direction, and stakeholder input. The environmental liability estimates include contingency estimates intended to account for the uncertainties associated with the technical cleanup scope of the program. The environmental liability estimates are dependent on annual funding levels and achievement of work as scheduled. Congressional appropriations at lower than anticipated levels or unplanned delays in project completion would cause increases in life-cycle costs. All environmental liabilities as of September 30, 2013, and September 30, 2012, are stated in fiscal year 2013 dollars and fiscal year 2012 dollars, respectively, as required by generally accepted accounting principles for federal entities. Future inflation could cause actual costs to be substantially higher than the recorded liability.

HANFORD SITE

The Department's Hanford Site covers 586-square-miles in the desert of southeastern Washington State. The area is home to nine former production reactors and their associated processing facilities that were built beginning in 1943. The reactors were used from 1944 until 1987 to produce plutonium, a man-made, radioactive, chemical element needed for atomic weapons. Production facilities at Hanford generated billions of gallons of liquid waste and millions of tons of solid waste which must now be cleaned up, removed, or remediated. The major activities comprising the environmental liabilities at Hanford include the following:

- The Waste Treatment Plant (WTP) is a multi-year construction project and once complete will process and treat 56 million gallons of tank waste currently stored in 177 underground tanks. This project is undergoing a rebaselining that is expected to be completed beyond FY 2013. The rebaselining will result in a revised liability estimate.
- River Corridor Closure includes remediation of 820 contaminated waste sites (including liquid waste sites, solid waste sites, and burial grounds), deactivation, decontamination, decommissioning, and demolition of 520 excess facilities/structures that are adjacent to the Columbia River; and the placement of four reactors into an interim safe storage condition.

SAVANNAH RIVER SITE

The Savannah River Site (SRS), located in South Carolina, is 310 square miles in size with 1,000 facilities concentrated within only 10 percent of the total land area. SRS was constructed during the early 1950s to produce the basic materials used in the fabrication of nuclear weapons, primarily tritium and plutonium-239, in support of our nation's defense programs.

The SRS cleanup strategy is to eliminate or minimize nuclear materials, spent nuclear fuel, and waste through safe stabilization, treatment, and/or disposition; reduce the costs of continuing operations and surveillance and maintenance; and decommission facilities, as well as remediate groundwater and contaminated soils consistent with regulatory agreements. The Department's completion strategy provides a comprehensive risk-based approach to

the legacy cleanup project, such as disposition of radioactive liquid waste through vitrification of the high activity component at the site's Defense Waste Processing Facility, and decommissioning of all facilities that are not required for continuing missions. The major activities comprising the environmental liabilities at SRS include the following:

- Radioactive Liquid Waste Stabilization and Disposition project includes safely and effectively treating, stabilizing and disposing of approximately 37 million gallons of legacy radioactive waste currently stored in 47 underground storage tanks.
- Surplus plutonium disposition program provides the capability to convert the nation's surplus weapons-grade plutonium into a form suitable for use in commercial nuclear reactors and includes the construction, operation, and the decontamination and demolition of the Mixed Oxide (MOX) Fuel Fabrication Facility and supporting facilities. The disposition of surplus plutonium from stockpile reductions through the MOX program is an important part of the United States' efforts to make sure that plutonium can no longer be readily used for nuclear weapons purposes. The activities satisfy commitments under treaty with Russia.

IDAHO NATIONAL LABORATORY SITE

The Idaho National Laboratory (Idaho) is an extensive research and engineering complex that has been the center of nuclear energy research since 1949. It occupies 890 square miles in southeastern Idaho. The Idaho Site has fulfilled numerous DOE missions including the design and testing of 52 nuclear reactors, the largest concentration of reactors in the world, and reprocessing spent nuclear fuel to recover fissile materials. The world's first usable electricity from nuclear energy was produced by Idaho in 1951. These activities resulted in an inventory of high-level, transuranic, mixed low-level and low-level wastes. The major activities comprising the environmental liabilities at Idaho include the following:

- The Spent Nuclear Fuel Stabilization and Disposition project includes stabilizing legacy spent nuclear fuel and managing the receipt of off-site spent nuclear fuel shipments.
- The Radioactive Liquid Tank Waste Stabilization and Disposition Project is treating and disposing the sodium-bearing tank wastes, closing the underground waste tanks, as well as maintaining the Idaho Nuclear Technology and Engineering Center. This project also includes activities to support the preparation of stored high-level waste calcine for final disposition off-site.

GASEOUS DIFFUSION PLANTS

The Department constructed and operated three gaseous diffusion plants (GDPs) located in Oak Ridge, Tennessee, Portsmouth, Ohio, and Paducah, Kentucky to enrich uranium. The plants had a long history of enriching uranium for defense and commercial nuclear power needs. Their mission was to produce low-assay enriched uranium for use as commercial nuclear reactor fuel and resulted in radioactive and chemical contamination at the sites and beyond the sites' boundaries. Presently, the sites are transitioning from primarily enrichment operations to shared missions with environmental cleanup, waste management, depleted uranium conversion, deactivation and decommissioning, re-industrialization, and long-term stewardship. The major activities comprising the environmental liabilities at the GDPs include the following:

- Portsmouth and Paducah Nuclear Material Stabilization and Disposition-Depleted Uranium Hexafluoride Conversion projects includes the design, permitting, constructing, and operating of the depleted uranium hexafluoride conversion facilities at the Portsmouth and Paducah sites. These facilities will convert the material into a more stable form of depleted uranium oxide suitable for reuse or disposition.
- Both Portsmouth and Paducah Nuclear Facility D&D projects include environmental cleanup and risk reduction through surveillance and maintenance activities, and decontamination and decommissioning of inactive or excess facilities at the Portsmouth and Paducah sites.
- At the Oak Ridge site, a major cleanup priority is the D&D of the K-25 and K-27 gaseous diffusion process buildings due to the safety implications of the buildings' deteriorating condition.

ENVIRONMENTAL LIABILITY ESTIMATES FOR OTHER SITES

Environmental liabilities exist for other sites and activities across the Department. The cleanup activities at these sites are similar to those mentioned above, such as soil and groundwater remediation; waste retrieval, treatment, and disposal; nuclear reactor and other facilities decontamination and decommissioning; etc. The Department's environmental liability also includes waste dispositioning; program costs, such as mission support, technology development, and program direction; and post-closure long-term surveillance and maintenance activities.

16. Pension and Other Actuarial Liabilities

($ IN MILLIONS)	FY 2013	FY 2012
Contractor pension plans	$ 10,616	$ 17,936
Contractor postretirement benefits other than pensions	10,711	13,488
Contractor disability and life insurance plans	16	17
Federal Employees' Compensation Act	102	96
Total pension and other actuarial liabilities (Note 11)	**$ 21,445**	**$ 31,537**

Most of the Department's major contractors sponsor defined benefit pension plans which promise to pay specified benefits, such as a percentage of the final average pay for each year of service, to their employees. The Department's allowable costs under these contracts include reimbursement of annual contractor contributions to these pension plans. Most of the contractors also sponsor postretirement benefits other than pensions (PRB) consisting of predominantly postretirement health care benefits. The Department approves, for cost reimbursement purposes, these contractors' pension and postretirement benefit plans and is responsible for the allowable costs of funding the plans. The Department also reimburses these contractors for employee disability insurance plans, and estimates are recorded as unfunded liabilities for these plans.

CONTRACTOR PENSION PLANS

The Department follows FASB ASC 715, Compensation – Retirement Benefits, for contractor plans for which the Department has a continuing obligation to reimburse allowable costs. As of September 30, 2013, the Department reports contractor pension assets (i.e., aggregate of net assets for all contractor plans with plan assets in excess of the projected benefit obligation) of $105 million and contractor pension liabilities (i.e., aggregate of net liabilities for all contractor plans with projected benefit obligations in excess of the plan assets) of $10.616 billion. The Department has a continuing obligation to reimburse allowable costs for a variety of contractor-sponsored pension plans (36 qualified and 13 nonqualified). In this regard, benefit formulas consist of final average pay (38 plans), career average pay (9 plans), and dollar per month of service (2 plans). Nineteen of the plans cover nonunion employees only; 6 cover union employees only; and 24 cover both union and nonunion employees.

For qualified defined benefit pension plans, the Department's current funding policy is to reimburse contractors for contributions made by the contractors to defined benefit pension plans sponsored by the contractors. Contractors are required to make contributions to their plans as required by the Internal Revenue Code, the Employee Retirement Income Security Act (ERISA), as amended, and consistent with Departmental policy. For nonqualified plans, the funding policy is pay-as-you-go.

Plan assets generally include cash and equivalents, stocks, corporate bonds, government bonds, real estate, alternative and international investments, and insurance contracts. There are three plans that have securities of the employer or related parties included in the plan assets. No assets are expected to be returned to the employers during the next fiscal year.

Assumptions and Methods – Contractors use their own actuarial assumptions for determining required contributions to employee pension plans. However, in order to provide consistency among the Department's various contractors, the Department requires the use of certain standardized actuarial assumptions for financial reporting purposes. These standardized assumptions include the discount rates, mortality assumptions, and an expected long-term rate of return on plan assets, salary scale, and any other economic assumptions consistent with an expected long-term inflation rate of 2.5 percent for the entire U.S. economy with adjustments to reflect regional or industry rates as appropriate. In most cases, ERISA valuation actuarial assumptions for demographic assumptions were used.

The following specific assumptions and methods were used to determine the net periodic cost. The weighted average discount rate was 3.75 percent for FY 2013 and 4.5 percent for FY 2012; the weighted average long-term rate of return on assets was 7.16 percent for FY 2013 and 7.47 percent for FY 2012; and the average rate of compensation increase was 3.9 percent for FY 2013 and 4.3 percent for FY 2012. The average long-term rate of return on assets shown above is the average rate for all of the contractor plans. Each contractor develops its own average long-term rate of return on assets based on the specific investment profile of the specific plans it sponsors. Therefore, there is no one overall approach to setting the rate of return for each of the contractors' plans.

The weighted average discount rates used to determine the benefit obligations as of September 30, 2013, and September 30, 2012, were 4.75 percent and 3.75 percent, respectively.

The aggregate September 30, 2013, accumulated benefit obligation and aggregate fair value of plan assets for plans with accumulated benefit obligations in excess of plan

assets are $35.125 billion and $27.612 billion, respectively. The aggregate September 30, 2013, projected benefit obligation and aggregate fair value of plan assets for plans with projected benefit obligations in excess of plan assets are $40.548 billion and $29.932 billion, respectively.

Since the Department reports under Federal accounting requirements, newly measured net prior service costs/(credits) and net (gains)/losses are recognized immediately as components of net periodic cost rather than classified as other comprehensive income under FASB ASC 715 and later amortized and included as components of net periodic cost. All components of the net periodic cost are recognized in the *Consolidated Statements of Net Costs*. Service costs are recorded by program and all other net periodic costs are recorded as costs not assigned (see Note 25). If the Department classified these costs as other comprehensive income, the amortization of the net transition (asset)/obligation, the net prior service cost/(credit), and the net (gain)/loss for the defined benefit pension plans that would have been included in the net periodic cost would have been $0 million, ($24) million, and $1.097 billion in FY 2013, and $0 million, $13 million, and $965 million in FY 2012, respectively. Additional amortization of ($9) million and $119 million due to curtailments and settlements would also have been included in FY 2013 and 2012, respectively. The estimated amortization of the net prior service cost/(credit), and the net (gain)/loss that would have been included in the net periodic cost in FY 2014 are ($34) million, and $390 million, respectively.

CONTRACTOR POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

The Department follows FASB ASC 715, Compensation – Retirement Benefits, for contractor plans for which the Department has a continuing obligation to reimburse allowable costs. The Department accrues the cost of PRB during the years that the employees render service. As of September 30, 2013, the Department reports contractor PRB assets of $11 million and contractor PRB liabilities of $10.711 billion. Generally, the PRB plans are unfunded, and the Department's funding policy is to fund on a pay-as-you-go basis. There are five contractors, however, that are prefunding benefits in part as permitted by law. The Department's contractors sponsor a variety of postretirement benefits other than pensions. Benefits consist of medical (40 contractors), dental (18 contractors), life insurance (23 contractors), and Medicare Part B premium reimbursement (3 contractors). Forty of the contractors sponsor a point of service plan, a Preferred Provider Organization (PPO), a Health Maintenance Organization (HMO), or similar plan. Seventeen of these also have a traditional indemnity or similar plan.

Assumptions and Methods - In order to provide consistency among the Department's various contractors, certain standardized actuarial assumptions were used. These standardized assumptions include medical and dental trend rates, discount rates, and mortality assumptions.

The following specific assumptions and methods, with respect to trends in the costs of medical and dental benefit plans, were used in determining the PRB estimates. The medical trend rates for a point of service plan, a self-insured HMO, a PPO, or similar plan grade from 8.5 percent in 2013 down to 5.0 percent in 2022 and later for under age 65; 8.0 percent in 2013 down to 5.0 percent in 2020 and later for age 65 and older and for non-Part D prescription drug benefits. The medical trend rates for a traditional indemnity plan, fully-insured HMO, or similar plan, grade from 8.5 percent in 2013 down to 5.0 percent in 2022 and later for any age on a combined basis. Separate trend rates were used this year for a Medicare Advantage (MA) plan depending on the current per member per month (PMPM) level of employer cost that grade from 73.84 percent, 39.42 percent, or 22.21 percent (interpolated/extrapolated as necessary for other PMPM level of employer cost) for employer cost of $50, $100, or $200, respectively, down to 5.0 percent by 2023 and later. The trend rates for Part D prescription drug plan (PDP) grade from 7.5 percent in 2013 down to 5.0 percent in 2019 and later. The medical trend rates or combination of rates used to determine the PRB estimates are dependent on each of the contractor's specific plan design and impact of health care reform, if applicable. The dental trend rates at all ages grade from 5.5 percent in 2013 down to 5.0 percent in 2015 and later.

The weighted average discount rates of 3.75 percent for FY 2013 and 4.5 percent for FY 2012, and the weighted average long-term rate of return on assets of 5.25 percent for FY 2013 and 5.30 percent for FY 2012 were used to determine the net periodic cost. The rate of compensation increase was the same rate as each contractor used to determine pension contributions. The average long-term rate of return on assets shown above is the average rate for all of the contractor plans. Each contractor develops its own average long-term rate of return on assets based on the specific investment profile of the specific plans it sponsors. Therefore, there is no one overall approach to setting the rate of return for each of the contractors' plans.

The weighted average discount rates used to determine the benefit obligation as of September 30, 2013, and September 30, 2012, were 4.75 percent and 3.75 percent, respectively.

The September 30, 2013, aggregate accumulated benefit obligation and aggregate fair value of plan assets for plans with accumulated benefit obligations in excess of plan assets are $10.848 billion and $137 million, respectively.

Since the Department reports under Federal accounting requirements, newly measured net prior service costs/(credits) and net (gains)/losses are recognized immediately as components of net periodic cost rather than classified as other comprehensive income under FASB

ASC 715 and later amortized and included as components of net periodic cost. All components of the net periodic cost are recognized in the *Consolidated Statements of Net Costs*. Service costs are recorded by program and all other net periodic costs are recorded as costs not assigned (see Note 25). If the Department classified these costs as other comprehensive income, the amortization of the net prior service cost/(credit) and the net (gain)/loss for the PRB plans that would have been included in the net periodic cost would have been ($525) million and $198 million in FY 2013, and ($289) million and $144 million in FY 2012, respectively. Additional amortization of ($90) million and ($85) million due to curtailments and settlements would also have been included in FY 2013 and 2012, respectively. The estimated amortization of the net prior service cost/(credit) and the net (gain)/loss that would have been included in the net periodic cost in FY 2014 are ($517) million and $56 million, respectively.

The FY 2013 and FY 2012 values reflect the impact of the passage of health care reform legislation in March 2010. Changes in the law that potentially affect contractor postretirement benefit plans include an excise tax on high-cost health plans, closing of the Medicare Part D coverage gap, changes in payments to Medicare Advantage plans, elimination of lifetime benefit maximums, coverage of dependent children to age 26, and temporary federal reimbursement of certain costs under the Early Retiree Reinsurance Program. Adjustments to the liabilities reflect the contractors' best estimates given the guidance available on implementation of the new laws. Liabilities in future years may need to be adjusted further as additional guidance is issued under the laws.

On December 8, 2003, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 was signed into law. The law provides for a Federal subsidy to sponsors of retiree healthcare benefit plans that provide a benefit at least actuarially equivalent to the benefit established by the law. There are currently 23 contractors that have concluded that their plans are at least actuarially equivalent [including 1 that also has plans providing a Medicare Part D PDP or MA plan]. There are 8 plans that do not benefit retirees over 65, 3 plans have determined they are not actuarially equivalent, and 6 plans provide a PDP or MA plan. Generally, the Department has reflected the impact of the subsidy as a reduction to the employers' cost of the benefits.

($ IN MILLIONS)	PENSION BENEFITS		OTHER POSTRETIREMENT BENEFITS	
	FY 2013	FY 2012	FY 2013	FY 2012
NET AMOUNT RECOGNIZED IN THE COMBINED BALANCE SHEET				
Accumulated benefit obligation	$ 37,879	$ 42,184		
Effect of future compensation increases	3,253	4,100		
Benefit obligation	**$ 41,132**	**$ 46,284**	$ 10,856	$ 13,632
Plan assets	30,621	28,467	156	155
Net amount recognized in the balance sheet (net funded status)	**$ (10,511)**	**$ (17,817)**	**$ (10,700)**	**$ (13,477)**
RECONCILIATION OF AMOUNTS RECOGNIZED IN THE COMBINED BALANCE SHEET				
Asset (prepaid pension plan costs) (Note 10)	$ 105	$ 119	$ 11	$ 11
Liability	(10,616)	(17,936)	(10,711)	(13,488)
Net amount recognized in the balance sheet (net funded status)	**$ (10,511)**	**$ (17,817)**	**$ (10,700)**	**$ (13,477)**
COMPONENTS OF NET PERIODIC COSTS				
Service costs (Note 26)	$ 1,085	$ 970	$ 272	$ 278
Interest costs	1,709	1,805	453	565
Expected return on plan assets	(1,971)	(1,829)	(8)	(9)
(Gain)/loss due to curtailments, settlements or special termination benefits	(49)	(148)	(147)	(63)
Net prior service cost/(credit)	(86)	(134)	(503)	(1,542)
Net (gain)/loss	(6,811)	2,542	(2,448)	675
Total net periodic costs	**$ (6,123)**	**$ 3,206**	**$ (2,381)**	**$ (96)**
CONTRIBUTIONS AND BENEFIT PAYMENTS				
Employer contributions (Note 26)	$ 1,186	$ 1,492	$ 390	$ 395
Participant contributions	72	43	89	90
Benefit payments	1,831	1,597	487*	490*

* Includes $7 million paid from plan assets for FY 2013, and $7 million paid from plan assets for FY 2012. For FY 2013, gross benefit payments were $497 million including $10 million of Federal Medicare subsidy. This resulted in net benefit payments of $487 million for FY 2013. For FY 2012, gross benefit payments were $503 million including $13 million of Federal Medicare subsidy. This resulted in net benefit payments of $490 million for FY 2012.

($ IN MILLIONS)	PENSION BENEFITS	OTHER POSTRETIREMENT BENEFITS
Expected contributions for fiscal year ending September 30, 2014		
Employer contributions	$ 1,468	$ 471
Participant contributions	84	124

($ IN MILLIONS)	PENSION BENEFITS	OTHER POSTRETIREMENT BENEFITS		
		GROSS PAYMENT	LESS FEDERAL MEDICARE PART D SUBSIDY	NET PAYMENT
ESTIMATED FUTURE BENEFIT PAYMENTS				
Fiscal Year 2014	$ 1,856	$ 595	$ 9	$ 586
Fiscal Year 2015	1,957	641	10	631
Fiscal Year 2016	2,052	689	10	679
Fiscal Year 2017	2,161	734	11	723
Fiscal Year 2018	2,258	784	12	772
Fiscal Year 2019 to 2023	12,800	4,484	75	4,409

The following chart shows the average target allocation for the 36 pension benefit plans and five other postretirement benefit plans with assets. The weighted average actual FY 2013 and FY 2012 allocations of assets are also shown.

	PENSION BENEFITS			OTHER POSTRETIREMENT BENEFITS		
ASSET CATEGORY	TARGET ALLOCATION	PERCENT OF PLAN ASSETS AT END FY 2013	PERCENT OF PLAN ASSETS AT END FY 2012	TARGET ALLOCATION	PERCENT OF PLAN ASSETS AT END FY 2013	PERCENT OF PLAN ASSETS AT END FY 2012
Cash and Equivalents	2.30%	3.50%	3.70%	0.20%	0.20%	0.30%
US Government Bonds	9.90%	9.30%	13.00%	3.90%	1.20%	3.10%
State and Municipal Government Bonds	0.80%	0.60%	0.50%	0.00%	1.30%	1.20%
Foreign Government Bonds	1.00%	1.50%	0.90%	0.00%	0.00%	0.00%
High-yield Corporate Bonds	0.90%	1.30%	1.40%	0.00%	0.00%	0.00%
Corporate Bonds other than high-yield	8.90%	18.90%	15.50%	4.10%	3.70%	2.70%
Small Cap Domestic Equities	3.50%	4.10%	4.20%	0.10%	0.10%	0.10%
Mid Cap Domestic Equities	5.60%	7.30%	5.20%	0.50%	0.40%	0.50%
Large Cap Domestic Equities	18.40%	16.90%	20.50%	0.90%	0.60%	0.80%
International Equities	22.20%	21.50%	21.10%	0.10%	1.40%	1.40%
Real Estate Investment Funds	2.50%	2.40%	2.40%	1.10%	0.00%	0.00%
Other Real Estate	0.30%	0.50%	0.40%	1.20%	0.00%	0.00%
Mortgage-Backed Securities	1.30%	2.20%	2.60%	0.00%	1.70%	1.40%
Asset-Backed Commercial Paper	0.00%	0.00%	0.10%	0.00%	0.00%	0.00%
Bonds/Notes Issued by Structured Investment Vehicles	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Derivatives, including Collateralized Debt Obligations and Credit Default Swaps	0.00%	0.60%	0.60%	0.00%	0.00%	0.00%
Private Investment Funds, including Hedge Funds	7.60%	6.80%	5.70%	0.00%	0.00%	0.00%
Insurance Contracts (general accounts)	0.10%	0.40%	0.50%	74.30%	74.30%	76.50%
Insurance Contracts (separate accounts)	0.10%	0.20%	0.10%	13.60%	13.60%	11.30%
Employer Securities	0.30%	0.30%	0.20%	0.00%	0.00%	0.00%
Aggregate Bond Index, Long Bond Index	1.00%	1.00%	1.00%	0.00%	0.00%	0.00%
Other	13.30%	0.70%	0.40%	0.00%	1.50%	0.70%
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Each contractor develops its own investment policies and strategies for the plans it sponsors. Therefore, there is no one overall investment policy for the contractors' plans.

Generally, their objectives provide for benefit security for plan participants through the maximization of total returns while limiting risk and providing liquidity coverage of benefit payments.

The following chart shows the allocation of the assets for the 36 pension benefit plans with assets among the levels in the fair value hierarchy.

($ IN MILLIONS)		QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS	SIGNIFICANT OBSERVABLE INPUTS	SIGNIFICANT UNOBSERVABLE INPUTS
Asset Class	**Total**	**(Level 1)**	**(Level 2)**	**(Level 3)**
Cash and Equivalents	$ 1,058	$ 228	$ 431	$ 399
US Government Bonds	2,832	1,078	1,484	270
State and Municipal Government Bonds	192	16	176	-
Foreign Government Bonds	465	11	454	-
High-yield Corporate Bonds	388	39	349	-
Corporate Bonds other than high-yield	5,794	337	5,457	-
Small Cap Domestic Equities	1,251	906	244	101
Mid Cap Domestic Equities	2,224	2,121	103	-
Large Cap Domestic Equities	5,188	4,397	791	-
International Equities	6,586	3,267	3,028	291
Real Estate Investment Funds	723	82	92	549
Other Real Estate	163	-	-	163
Mortgage-Backed Securities	681	34	647	-
Asset-Backed Commercial Paper	11	-	10	1
Bond/Notes Issues by Structured Investment Vehicles	6	-	6	-
Derivatives	181	4	177	-
Private Investment Funds	2,074	355	255	1,464
Insurance Contracts (general accounts)	114	-	66	48
Insurance Contracts (separate accounts)	62	-	62	-
Employer Securities	96	96	-	-
Aggregate Bond Index, Long Bond Index	312	2	310	-
Other	220	168	41	11
Total Assets	**$ 30,621**	**$ 13,141**	**$ 14,183**	**$ 3,297**

The following chart shows the reconciliation of the Level 3 assets for FY 2013 for the 36 pension benefit plans with assets.

($ IN MILLIONS)	CASH AND EQUIVA-LENTS	U.S. BONDS	SMALL CAP EQUITIES	INTL EQUITIES	REAL ESTATE INVEST-MENT FUNDS	OTHER REAL ESTATE	ASSET BACKED COM-MERCIAL PAPER	DERIVA-TIVES	PRIVATE INVEST-MENT FUNDS	INSURANCE CONTRACTS (GENERAL ACCOUNTS)	OTHER	TOTAL
Beginning Balance	$ 437	$ 214	$ 34	$ -	$ 504	$ 116	$ -	$ (2)	$ 1,198	$ 61	$ 9	$2,571
Actual return on plan assets:												
Relating to assets still held at the reporting date	(38)	56	67	-	86	10	-	-	153	3	-	337
Relating to assets sold during the period	-	-	-	-	11	-	-	-	28	-	-	39
Purchases, sales, and settlements	-	-	-	-	(68)	36	1	-	76	(16)	-	29
Transfers in and/or out of Level 3	-	-	-	291	17	(2)	-	-	11	-	-	317
Other	-	-	-	-	(1)	3	-	2	(2)	-	2	4
Ending Balance	**$ 399**	**$ 270**	**$ 101**	**$ 291**	**$ 549**	**$ 163**	**$ 1**	**$ -**	**$ 1,464**	**$ 48**	**$ 11**	**$3,297**

Pension assets included in Level 1 of the fair value hierarchy are valued daily based on quoted prices in active markets. Assets included in Level 2 are valued using significant observable inputs other than quoted prices in active markets. US Government Bonds and Corporate Bonds included in Level 2 assets are generally part of collective investment funds valued at the net asset values of the funds based on the quoted prices of the underlying securities in active markets. Other bonds in these categories are valued based on interest rates and yield curves observable at commonly quoted intervals or at bid evaluation prices for securities traded on OTC markets as provided by independent pricing vendors. Domestic and International Equities included in Level 2 assets are generally part of collective investment funds valued at the net asset values of the funds based on the quoted prices of

the underlying securities in active markets. Assets included in Level 3 are valued using significant unobservable inputs. Private Investment Funds and Real Estate Funds included in Level 3 assets are generally priced by the fund general partners, verified by independent third-party appraisers, and audited by independent auditing firms. The actual market values are generally only determinable by negotiations between independent parties pursuant to sales transactions. Assets held in Life Insurance Company General Accounts under Level 3 are generally credited guaranteed interest rates under the contracts or are valued based on the values of the underlying asset holdings of the accounts.

The $156 million of assets in the five other postretirement benefit plans include $137 million of investments in insurance contracts of which $114 million is valued using significant unobservable inputs (Level 3). The balance of the Level 3 insurance contracts decreased by $3 million during FY 2013 from $117 million to $114 million due to the return on assets still held at the reporting date. The remaining assets in the other postretirement benefit plans are invested in asset classes similar to the assets of the pension plans. None of the other assets in the other postretirement benefit plans were valued using unobservable inputs.

Other Postretirement Benefit assets included in Level 1 of the fair value hierarchy are valued daily based on quoted prices in active markets. International Equities in mutual funds employ fair value pricing in accordance with SEC requirements to reflect market events where the exchange on which they are traded is closed prior to the close of US mutual funds. Assets held in Life Insurance Company General and Separate Accounts under Levels 2 and 3 of the fair value hierarchy are generally credited guaranteed interest rates based on customized fixed income indices.

Some of the Department's contractors' plan assets are invested in investment funds, which are recorded based on the net asset value (NAV) per share (or its equivalent), are reported by the underlying funds without further adjustment, as a practical expedient of fair value. Generally, the fair value of the investment in a privately offered investment fund represents the amount that the investor could reasonably expect to receive from the investment fund if the investment is withdrawn at the measurement date based on the NAV. These investments are redeemable at NAV under ordinary terms of the agreements and based on the operation of the underlying funds. However, it is possible that these redemption rights may be restricted or eliminated by the funds in the future in accordance with the underlying fund agreements. The terms of any fund agreements may vary by contractor.

17. Capital Leases

($ IN MILLIONS)	FY 2013	FY 2012
SUMMARY OF ASSETS UNDER CAPITAL LEASE		
Power line equipment	$ 518	$ 412
Buildings	22	22
ADP equipment	341	307
Construction work in progress	321	265
Other assets	88	104
Total capital lease assets	**$ 1,290**	**$ 1,110**
Less accumulated depreciation	(275)	(208)
Net assets under capital leases	**$ 1,015**	**$ 902**

($ IN MILLIONS) FISCAL YEAR	POWER LINE EQUIPMENT	OTHER	TOTAL
2014	36	22	58
2015	232	37	269
2016	244	14	258
2017	21	1	22
2018	21	1	22
2019+	743	1	744
Total future lease payments	**$ 1,297**	**$ 76**	**$ 1,373**
Less imputed interest	(333)	-	(333)
Less executory costs	(35)	-	(35)
Net capital lease liability	**$ 929**	**$ 76**	**$ 1,005**
Lease liabilities covered by budgetary resources			$ (933)
Lease liabilities not covered by budgetary resources (Note 11)			(72)
Total capital lease liability			**$ (1,005)**

18. Contingencies and Commitments

($ IN MILLIONS)	FY 2013	FY 2012
Unfunded contingencies (Note 11)		
Spent nuclear fuel litigation	$ 21,364	$ 19,733
Other	121	120
Total contingencies	**$ 21,485**	**$ 19,853**

The Department is a party in various administrative proceedings, legal actions, and tort claims which may ultimately result in settlements or decisions adverse to the federal government. The Department has accrued contingent liabilities where losses are determined to be probable and the amounts can be estimated. Other significant contingencies exist where a loss is reasonably possible or where the loss is probable and an estimate cannot be determined. In some cases, a portion of any loss that may occur may be paid from Treasury's Judgment Fund. The Judgment Fund is a permanent, indefinite appropriation available to pay judgments against the government. The following are significant contingencies:

SPENT NUCLEAR FUEL LITIGATION

In accordance with the Nuclear Waste Policy Act of 1982 (NWPA), the Department entered into contracts with more than 45 utilities in which, in return for payment of fees into the NWF, the Department agreed to begin disposal of spent nuclear fuel (SNF) by January 31, 1998. Because the Department has no facility available to receive SNF under the NWPA, it has been unable to begin disposal of the utilities' SNF as required by the contracts. Significant litigation claiming damages for partial breach of contract has ensued as a result of this delay.

To date, 33 suits have been settled involving utilities that collectively produce about 82 percent of the nuclear-

generated electricity in the United States. Under the terms of the settlements, the Judgment Fund, 31 U.S.C. 1304, paid $2.7 billion to the settling utilities for delay damages they have incurred through September 30, 2013. In addition, 26 cases have been resolved by final judgments. Eight of those cases resulted in an award of no damages by the trial court and the remaining 18 cases resulted in a total of $990.9 million in damages that have been paid.

The Department's spent nuclear fuel litigation liability is updated to include the effects of final judgments and settlements as well as payments to date from the Judgment Fund. Additional payments under these settled and adjudicated cases may be made if the utilities incur additional costs before the Department permanently disposes of the spent nuclear fuel. The Department believes its assumptions and methodology provide a reasonable basis for the contingent liability estimate.

Twenty-one cases remain pending either in the Court of Federal Claims or in the Court of Appeals for the Federal Circuit. Liability is probable in these cases, and in many of these cases orders have already been entered establishing the government's liability and the only outstanding issue to be litigated is the amount of damages to be awarded. The industry is reported to estimate that damages for all utilities with which the Department has contracts ultimately will be at least $50 billion. The Department believes that the industry's estimate is highly inflated and that the disposition of the 61 cases that have either been settled or subject to a judgment in the trial court suggests that the government's ultimate liability is likely to be significantly less than that estimate. Accordingly, based on these settlement estimates, the total liability estimate is $25.1 billion. After deducting the amount paid as of September 30, 2013, under these settlements and as a result of final judgments, a total of $3.7 billion, the remaining liability is estimated to be approximately $21.4 billion. Under current law, any damages or settlements in this litigation will be paid out of the Judgment Fund. The Department's contingent liability estimate for SNF litigation is reported net of amounts paid to date from the Judgment Fund.

The Department previously reported several developments that made it difficult to reasonably predict the amount of the government's likely liability. The courts have since resolved that jurisdiction for these cases is appropriate in the Court of Federal Claims and that the Government cannot assert the unavoidable delays defense, under which, if it were applicable, the Government would not be liable for any damages. In fiscal year 2009 the Administration determined Yucca Mountain was not a workable solution and established a Blue Ribbon Commission in January 2010 to evaluate alternatives. The Commission submitted a final report in January 2012 with their recommendations on these issues for consideration by the Administration and Congress, as well as interested state, tribal and local governments, other stakeholders, and the public. The Administration issued the "Strategy for the Management and Disposal of Used Nuclear Fuel and High-Level Waste" on January 11, 2013 (Strategy Document), which supports the principles of key Commission's recommendations, but no Congressional action has been taken to date. The key assumptions from the Strategy Document are that (1) spent nuclear fuel remains on all sites until 2021 at which time an interim storage facility will open and begin receiving spent nuclear fuel and (2) reactors will incur costs reimbursable by the Department until it fulfills its contractual obligations. Future determinations on how the Department will meet its obligations under the standard contracts could materially decrease or increase the spent nuclear fuel litigation liability.

ALLEGED EXPOSURES TO RADIOACTIVE AND/OR TOXIC SUBSTANCES

A number of class action and/or multiple plaintiff tort suits have been filed against current and former DOE contractors in which the plaintiffs seek damages for alleged exposures to radioactive and/or toxic substances as a result of the historic operations of the Department's nuclear facilities. The most significant of these cases arise out of operations of the facilities at Rocky Flats, Colorado; Hanford, Washington; Mound, Ohio; and Brookhaven, New York. Collectively, in these cases, damages in excess of $102 billion are sought.

These cases are being vigorously defended. Trials have been held in the Rocky Flats litigation and the Hanford litigation. In the Rocky Flats litigation, although the jury returned a substantial verdict in favor of the plaintiffs, the court of appeals vacated the judgment and remanded the matter to the district court. The United States Supreme Court denied plaintiffs' petition for a writ of certiorari on June 25, 2012. The case is now proceeding in the district court. In the Hanford litigation, following rulings by the court of appeals, seven of twelve "bellwether" plaintiffs' claims were resolved in favor of the defendants, relatively small judgments in favor of two "bellwether" plaintiffs were affirmed, and three "bellwether" plaintiffs' claims were remanded to the district court for further proceedings. Proceedings on the remaining Hanford plaintiffs' claims are now continuing through court-ordered mediation and trials.

HANFORD SITE NATURAL RESOURCES DAMAGES

The Confederated Tribes of the Yakama Nation filed suit in September 2002 against DOE and the Department of Defense alleging natural resources damages in the 1100 area of the Hanford site. The Yakama Nation has since amended their complaint to add the 100 and 300 areas to the suit, alleging additional natural resources damages. In addition, the States of Washington and Oregon, as well as the Confederated Tribes of the Umatilla and the Nez Perce tribe, have joined the suit. Two of the four claims have been settled, the third claim remains stayed, and the fourth has been dismissed. The government reimbursed the Yakama Nation for its past response costs under claim one of the complaint. Under the settlement for claim two, the

government will reimburse the plaintiffs through the Trustee Council for natural resource damage assessments. Claim three, which seeks natural resource damages recovery, remains stayed, until the issue of resource damages (if any) is resolved. Claim four was dismissed.

CLEANUP AND WASTE DISPOSAL AT WEST VALLEY

The State of New York filed a complaint for a declaratory judgment and monetary relief, raising claims under the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), the West Valley Demonstration Project Act (WVDPA), and the NWPA. This case involves a dispute between the Department and the State of New York concerning their respective obligations for cleanup and waste disposal at West Valley. The parties' briefing on cross motions to dismiss concluded on November 8, 2013. Plaintiffs filed a motion to dismiss on the ground that DOE has not made a final decision on the issue of payment of costs. The U.S. filed a motion to dismiss on the ground that the district court lacks jurisdiction over the claim, given provisions in the NWPA that authorize original review of such claims in the court of appeals. Finding there will be no disposal of nuclear wastes for several decades and any determination of financial liability at this time would be hypothetical and premature, on November 22, 2013, the court granted NYSERDA's motion to dismiss without prejudice and directed the clerk to close the case. The court denied the government's cross-motion to dismiss to the extent it had sought a ruling on alternative grounds. The case is closed and the parties' dispute concerning their respective obligations for disposal of high-level waste at the West Valley site will necessarily be deferred until such time as the State of New York would seek to refile a new complaint.

REFUNDS TO UTILITY COMPANIES

The Bonneville Power Administration (BPA) and the Western Area Power Administration (WAPA) were parties to proceedings at FERC that sought refunds for sales into markets operated by the California Independent System Operator (ISO) and the California Power Exchange (PX) during the California energy crisis of 2000-2001. BPA, along with a number of other governmental utilities, challenged FERC's refund authority over governmental utilities. In BPA v. FERC, 422 F.3d 908 (9th Cir. 2005) the Ninth Circuit Court found that governmental utilities, like BPA and WAPA, were not subject to FERC's statutory refund authority. As a consequence of the Ninth Circuit Court's decision, three California investor-owned utilities along with the State of California filed breach of contract claims in the United States Court of Federal Claims against BPA and WAPA. The complaints, filed in 2007, alleged that BPA and WAPA were contractually obligated to pay refunds on transactions where the BPA and WAPA received amounts in excess of mitigated market clearing prices established by FERC.

In May 2012, the Court of Federal Claims issued an opinion in the trial on the liability portion of plantiffs' contractual breach claim and held that BPA breached its contracts with the California parties by failing to pay refund amounts it retained in excess of the mitigated market clearing prices during the refund period. BPA estimates that such refund amounts, including interest, through September 30, 2013, could amount up to approximately $54.1 million. While this ruling does not establish a specific liability in this matter, BPA recorded a liability in this amount.

A trial on the damages phase of the proceedings at the Court of Federal Claims was scheduled for June 2013, but has been delayed due to the retirement of the presiding judge. In April 2013, a new judge was appointed to preside over the cases. The new judge indicated that she will vacate the May 2012 decision because she does not believe the decision is sustainable on appeal. It is unclear whether the new opinion will reverse the prior opinion on contractual liability or sustain it on different grounds. BPA has not adjusted its liability for the California parties' refund claims as a result of the events occurring at the FERC and the Court of Federal Claims during fiscal year 2013.

PADUCAH AND PORTSMOUTH NATURAL RESOURCE DAMAGES

As a result of releases of hazardous substances at the Paducah and Portsmouth Sites, the States of Ohio and Kentucky have potential claims against the Department under CERCLA for damages to natural resource (e.g., ground water) caused by such releases. The Department has had preliminary discussions with Ohio about a possible settlement of its claims for natural resource damages at the Portsmouth site. Kentucky has indicated that it desires a "tolling" agreement with respect to potential claims for natural resource damages at the Paducah site. A tolling agreement would suspend the statute of limitations for the filing of the state's claims for a mutually agreeable period of time. The Department will continue its discussions with the states about their potential claims for natural resource damages. Although the Department will be liable for at least some natural resource damages at the sites, it is unable to prepare an estimate of such damages and has not included a provision for damages in the consolidated financial statements.

PURCHASE POWER AND TRANSMISSION COMMITMENTS AND IRRIGATION ASSISTANCE

The PMAs have entered into commitments to sell expected generation for future dates. When the PMAs forecast a resource shortage they take a variety of steps to cover the shortage including entering into power commitments. If appropriate, the PMAs will enter into long-term commitments to purchase power for future delivery. The PMAs record expenses associated with these purchases in the periods that power is received.

Federal statute requires WAPA and Bonneville Power Administration (BPA) to repay the U.S. Treasury the portion of Reclamation's original capital costs allocated to irrigation purposes, which were determined by the Secretary of the Interior to be beyond the ability of the

irrigation customers to repay. As a result, WAPA and BPA include a schedule of irrigation assistance costs in each respective power system's power repayment study to demonstrate repayment of principal within the allowable repayment period. These repayment amounts do not incur or accumulate interest from the date that Reclamation determines the irrigators' inability to pay. Future irrigation assistance payments are scheduled to total $606.9 million by 2045 for BPA, and WAPA's payments are scheduled to total $1,886.5 million by 2041.

Although these repayments will be recovered through power sales, they do not represent an operating cost of the individual power systems nor a liability on the consolidated balance sheets due to factors such as the variable payment schedule. Accordingly, when paid these distributions reduce accumulated net revenues in the *Consolidated Statements of Net Cost*.

The following table summarizes future purchase power and transmission commitments and irrigation assistance. The table includes firm purchase power agreements of known cost that are currently in place to assist in meeting expected future obligations under long-term power sales contracts. BPA has several power purchase agreements with wind-powered and other generating facilities that are not included as payments are based on the variable amount of future energy generated and there are no minimum payments required.

($ IN MILLIONS) FISCAL YEAR	PURCHASE POWER AND TRANSMISSION	IRRIGATION ASSISTANCE
2014	$ 149	$ 63
2015	106	85
2016	89	76
2017	79	61
2018	77	37
2019+	224	2,172
Total	**$ 724**	**$ 2,494**

BONNEVILLE POWER ADMINISTRATION

The Northwest Power Act directs BPA to protect, mitigate and enhance fish and wildlife resources to the extent they are affected by federal hydroelectric projects on the Columbia River and its tributaries. BPA makes expenditures and incurs other costs for fish and wildlife projects that are consistent with the Northwest Power Act and that are consistent with the Pacific Northwest Power and Conservation Council's Columbia River Basin Fish and Wildlife Program. In addition, certain fish species are listed under the Endangered Species Act (ESA) as threatened or endangered. BPA is financially responsible for expenditures and other costs arising from conformance with the ESA and certain biological opinions (BiOp) prepared by the National Oceanic and Atmospheric Administration Fisheries Service and the U.S. Fish and Wildlife Service in furtherance of the ESA. BPA's total commitment including timing of payments under the Northwest Power Act, ESA, and BiOp is not fixed or determinable. However, the estimate as of September 30, 2013, of long-term fish and wildlife agreements with a contractual commitment which BPA has entered is $799.7 million. These agreements will expire at various dates between fiscal years 2018 and 2025.

19. Dedicated Collections

($ IN MILLIONS)	FY 2013					
	NUCLEAR WASTE FUND	D&D FUND	USEC	PMAs	OTHER FUNDS FROM DEDICATED COLLECTIONS	TOTAL FUNDS FROM DEDICATED COLLECTIONS
BALANCE SHEET						
ASSETS						
Fund Balance with Treasury	$ 2	$ 5	$ -	$ 1,789	$ 1,109	$ 2,905
Investments and related interest, net	30,864	3,832	1,612	499	-	36,807
Accounts receivable, net	3,259	-	-	754	7	4,020
Direct loans and loan guarantees, net	-	-	-	1	-	1
Inventory, net	-	-	-	136	158	294
General property plant and equipment, net	-	-	-	8,564	32	8,596
Regulatory assets	-	-	-	11,921	-	11,921
Other assets	2	44	-	3,787	1	3,834
Total Assets	**$ 34,127**	**$ 3,881**	**$ 1,612**	**$ 27,451**	**$ 1,307**	**$ 68,378**
LIABILITIES AND NET POSITION						
Accounts payable	$ -	$ 104	$ -	$ 502	$ 15	$ 621
Debt	-	-	-	19,146	-	19,146
Deferred revenues and other credits	34,127	-	-	1,399	2	35,528
Environmental cleanup and disposal liabilities	-	17,160	-	14	-	17,174
Pensions and other actuarial liabilities	-	-	-	56	-	56
Obligations under capital leases	-	-	-	933	-	933
Other liabilities	-	2	-	3,737	19	3,758
Contingencies and commitments	-	-	-	92	-	92
Unexpended appropriations	-	-	-	-	20	20
Cumulative results of operations	-	(13,385)	1,612	1,572	1,251	(8,950)
Total Liabilities and Net Position	**$ 34,127**	**$ 3,881**	**$ 1,612**	**$ 27,451**	**$ 1,307**	**$ 68,378**
STATEMENT OF NET COST						
Program costs	$ 2	$ 16	$ -	$ 4,377	$ 97	$ 4,492
Less earned revenues	(6)	(250)	-	(4,485)	(44)	(4,785)
Net program costs	$ (4)	$ (234)	$ -	$ (108)	$ 53	$ (293)
Costs not assigned	-	3,962	-	-	-	3,962
Net cost of operations	**$ (4)**	**$ 3,728**	**$ -**	**$ (108)**	**$ 53**	**$ 3,669**
STATEMENT OF CHANGES IN NET POSITION						
Cumulative results of operations, beginning balance	$ -	$ (9,718)	$ 1,608	$ 1,872	$ 1,319	$ (4,919)
Appropriations used	-	-	-	6	6	12
Non-exchange revenue	-	-	3	-	-	3
Donations and forfeitures of cash	-	-	-	15	-	15
Transfers - in/(out) without reimbursement	(4)	61	1	(448)	(31)	(421)
Imputed financing	-	-	-	3	-	3
Other	-	-	-	16	10	26
Net cost of operations	4	(3,728)	-	108	(53)	(3,669)
Cumulative results of operations, ending balance	**$ -**	**$ (13,385)**	**$ 1,612**	**$ 1,572**	**$ 1,251**	**$ (8,950)**
Unexpended appropriations, beginning balance	$ -	$ -	$ -	$ 1	$ 22	$ 23
Appropriations received	-	-	-	5	11	16
Other adjustments	-	-	-	-	(7)	(7)
Appropriations used	-	-	-	(6)	(6)	(12)
Unexpended appropriations, ending balance	**$ -**	**$ -**	**$ -**	**$ -**	**$ 20**	**$ 20**

Dedicated Collections (continued)

($ IN MILLIONS)	FY 2012					
	NUCLEAR WASTE FUND	D&D FUND	USEC	PMAs	OTHER FUNDS FROM DEDICATED COLLECTIONS	TOTAL FUNDS FROM DEDICATED COLLECTIONS
BALANCE SHEET						
ASSETS						
Fund balance with Treasury	$ 1	$ 5	$ -	$ 1,731	$ 1,196	$ 2,933
Investments and related interest, net	28,771	4,189	1,608	397	1	34,966
Accounts receivable, net	3,255	-	-	808	3	4,066
Direct loans and loan guarantees, net	-	-	-	1	-	1
Inventory, net	-	-	-	121	154	275
General property plant and equipment, net	-	-	-	8,142	28	8,170
Regulatory assets	-	-	-	12,453	-	12,453
Other assets	3	56	-	3,866	-	3,925
Total Assets	**$ 32,030**	**$ 4,250**	**$ 1,608**	**$ 27,519**	**$ 1,382**	**$ 66,789**
LIABILITIES AND NET POSITION						
Accounts payable	$ -	$ 97	$ -	$ 575	$ 23	$ 695
Debt	-	-	-	18,858	-	18,858
Deferred revenues and other credits	32,030	-	-	1,413	2	33,445
Environmental cleanup and disposal liabilities	-	13,871	-	4	-	13,875
Pensions and other actuarial liabilities	-	-	-	54	-	54
Obligations under capital leases	-	-	-	786	-	786
Other liabilities	-	-	-	3,875	16	3,891
Contingencies and commitments	-	-	-	81	-	81
Unexpended appropriations	-	-	-	1	22	23
Cumulative results of operations	-	(9,718)	1,608	1,872	1,319	(4,919)
Total Liabilities and Net Position	**$ 32,030**	**$ 4,250**	**$ 1,608**	**$ 27,519**	**$ 1,382**	**$ 66,789**
STATEMENT OF NET COST						
Program costs	$ 9	$ (25)	$ -	$ 4,200	$ 95	$ 4,279
Less earned revenues	(12)	(277)	-	(4,479)	(34)	(4,802)
Net program costs	$ (3)	$ (302)	$ -	$ (279)	$ 61	$ (523)
Costs not assigned	-	204	-	-	-	204
Net cost of operations	**$ (3)**	**$ (98)**	**$ -**	**$ (279)**	**$ 61**	**$ (319)**
STATEMENT OF CHANGES IN NET POSITION						
Cumulative results of operations, beginning balance	$ -	$ (9,863)	$ 1,606	$ 1,856	$ 1,318	$ (5,083)
Appropriations used	-	-	-	2	6	8
Non-exchange revenue	-	-	2	-	-	2
Donations and forfeitures of cash	-	-	-	38	-	38
Transfers - in/(out) without reimbursement	(3)	47	-	(319)	49	(226)
Imputed financing	-	-	-	1	-	1
Other	-	-	-	15	7	22
Net cost of operations	3	98	-	279	(61)	319
Cumulative results of operations, ending balance	**$ -**	**$ (9,718)**	**$ 1,608**	**$ 1,872**	**$ 1,319**	**$ (4,919)**
Unexpended appropriations, beginning balance	$ -	$ -	$ -	$ 3	$ 18	$ 21
Appropriations received	-	-	-	-	10	10
Other adjustments	-	-	-	-		-
Appropriations used	-	-	-	(2)	(6)	(8)
Unexpended appropriations, ending balance	**$ -**	**$ -**	**$ -**	**$ 1**	**$ 22**	**$ 23**

NUCLEAR WASTE FUND

The NWPA requires the owners and generators of nuclear waste to pay their share of the NWF and, to that end, establishes a fee for electricity generated and sold by civilian nuclear power reactors which the Department must collect and annually assess to determine its adequacy. A special fund within Treasury was created to account for the collection of fees. Fees are invested in Treasury securities and any interest earned is available to pay costs incurred by the NWF. The NWPA requires annual financial statements to be prepared. In November 2013, a court odered the Secretary of Energy to submit to Congress a proposal to change the fee to zero.

DECONTAMINATION AND DECOMMISSIONING FUND

The Energy Policy Act of 1992 established the D&D fund to pay for the costs of decontamination and decommissioning of gaseous diffusion facilities through collection of revenues derived from domestic utility assessments and government appropriations. The Energy Policy Act also requires that balances in the D&D fund be invested in Treasury securities and any interest earned would be available to pay the costs of environmental remediation.

U.S. ENRICHMENT CORPORATION FUND

Upon privatization of USEC on July 28, 1998, OMB and Treasury designated the Department as successor to USEC for purposes of disposition of balances remaining in the USEC fund. These funds are invested in Treasury securities.

POWER MARKETING ADMINISTRATIONS

The PMAs are funded primarily from four sources. These include contract and borrowing authority, direct receipts generated from the sale of power, annual appropriations from the Department of the Interior's Reclamation Fund, and appropriations from Treasury's General Fund. In most instances, the annual appropriations from the Reclamation Fund and the General Fund are repaid to Interior and Treasury, respectively, from the receipts generated from power sales.

20. Gross Cost, Intragovernmental

($ IN MILLIONS)	FY 2013	FY 2012
Imputed costs, Compensation Program for Occupational Illnesses - Department of Labor (Notes 25 and 26)	$ 1,628	$ 1,651
Interest costs on debt (Note 12)		
Borrowing from Treasury	216	187
Borrowing from FFB	484	533
Power marketing administrations' appropriated capital - Treasury	20	117
Power marketing administrations' appropriated capital - Department of the Interior	150	175
Imputed costs, Judgment Fund payments made by Treasury		
Spent nuclear fuel contingency (Notes 25 and 26)	1,100	966
Other Judgment Fund payments (Notes 25 and 26)	27	10
Federal employee benefits		
Agency share of employee retirement benefits - OPM	306	321
Imputed costs, employee retirement benefits - OPM (Note 26)	98	102
Federal Insurance Contributions Act (FICA) employer contributions - Treasury	65	65
Other intragovernmental costs		
Defense agencies	144	157
General Services Administration	203	162
All other agencies	341	333
Total intragovernmental gross costs with other federal agencies	**$ 4,782**	**$ 4,779**
Costs with the public	38,314	60,293
Total gross costs	**$ 43,096**	**$ 65,072**

21. Gross Cost by Strategic Goals

($ IN MILLIONS)	FY 2013	FY 2012
Transform Our Energy Systems		
Deploy the technologies we have	$ 7,555	$ 11,127
Discover the new solutions we need	3,236	3,923
Lead the national conversation on energy	177	171
Total program costs for transform our energy systems	**$ 10,968**	**$ 15,221**
The Science and Engineering Enterprise		
Extend our knowledge of the natural world	$ 3,075	$ 3,231
Deliver new technologies to advance our mission	1,713	1,689
Sustain a world-leading technical workforce	25	23
Total program costs for the science and engineering enterprise	**$ 4,813**	**$ 4,943**
Secure Our Nation		
Support the U.S. nuclear stockpile and future military needs	$ 6,542	$ 7,037
Reduce global nuclear dangers	1,720	1,651
Apply our capabilities for other critical national security missions	1,204	1,261
Support responsible civilian nuclear power development and fuel cycle management	207	201
Complete environmental remediation of our legacy and active sites	4,731	5,400
Total program costs for secure our nation	**$ 14,404**	**$ 15,550**
Total program costs for strategic objectives	**$ 30,185**	**$ 35,714**

TRANSFORM OUR ENERGY SYSTEMS

Goal: Catalyze the timely, material, and efficient transformation of the nation's energy system and secure U.S. leadership in clean energy technologies. Objectives include:

- **Deploy the technologies we have** - Advance new approaches for improving the efficiency of our nation's homes, buildings, facilities and vehicles.
- **Discover the new solutions we need** – Pursue technologies that can have the greatest impact on national energy goals and avoid technologies of limited applicability or resource.
- **Lead the national conversation on energy** – Ensure the processes of informing, shaping, and supporting energy and related environmental policies are underpinned by sound techno-economic principles and analyses.

THE SCIENCE AND ENGINEERING ENTERPRISE

Goal: Maintain a vibrant U.S. effort in science and engineering as a cornerstone of our economic prosperity with clear leadership in strategic areas. Objectives include:

- **Extend our knowledge of the natural world –** Address fundamental questions in the physical sciences and produce novel hardware and theoretical and analytical tools with applications well beyond the specific science.
- **Deliver new technologies to advance our mission –** Foster the development of new technologies to make major contributions to our energy, environment, and security missions.
- **Sustain a world-leading technical workforce –** Invest in current and future scientists by creating conditions that allow today's researchers to be as productive as possible, as well as ensure an adequate supply of tomorrow's researchers.

SECURE OUR NATION

Goal: Enhance nuclear security through defense, nonproliferation, and environmental efforts. Objectives include:

- **Support the U.S. nuclear stockpile and future military needs –** Keep the U.S. stockpile safe and reliable without further nuclear testing.
- **Reduce global nuclear dangers –** Maintain effective and credible international nuclear safeguards and export controls.
- **Apply our capabilities for other critical national security missions –** Provide the scientific and technical knowledge to enable national security agencies to understand and counter dangers arising from foreign nuclear weapons programs, the spread of nuclear capabilities to additional countries, and the potential exploitation of nuclear materials by terrorists.
- **Support responsible civilian nuclear power development and fuel cycle management –** Support the development of a new International framework for nuclear cooperation and strengthen International safeguards and export controls to support safe and secure deployment of nuclear power globally.
- **Complete environmental remediation of our legacy and active sites –** Reduce the footprint of our contaminated sites while bringing to bear the Department's formidable research and development assets to develop and deploy transformational technologies.

22. Earned Revenues

($ IN MILLIONS)	INTRA-GOVERNMENTAL	PUBLIC	DEFERRED REVENUE ADJUSTMENT	TOTAL
	FY 2013			
Transform Our Energy Systems				
Power Marketing Administrations	$ (101)	$ (4,042)	$ -	$ (4,143)
Loan Programs	(107)	(331)	(53)	(491)
Petroleum reserve oil sales	-	(9)	-	(9)
Other	-	-	-	-
Earned revenues for transform our energy systems	**(208)**	**(4,382)**	**(53)**	**(4,643)**
The Science and Engineering Enterprise				
Isotopes program	**(1)**	(38)	-	(39)
Earned revenues for the science and engineering enterprise	**(1)**	**(38)**	**-**	**(39)**
Secure Our Nation				
Nuclear Waste Fund	(1,414)	(688)	2,096	(6)
D&D Fund	(70)	(180)	-	(250)
Other	(29)	(4)	-	(33)
Earned revenues for secure our nation	**(1,513)**	**(872)**	**2,096**	**(289)**
Reimbursable programs	(3,484)	(721)	-	(4,205)
Other programs				
FERC (Note 23)	-	(305)	-	(305)
Other (Note 23)	(2)	(43)	-	(45)
Earned revenues for other programs	**(2)**	**(348)**	**-**	**(350)**
Total earned revenues	**$ (5,208)**	**$ (6,361)**	**$ 2,043**	**$ (9,526)**
	FY 2012			
Transform Our Energy Systems				
Power Marketing Administrations	$ (108)	$ (4,034)	$ -	$ (4,142)
Loan Programs	(205)	(265)	(103)	(573)
Petroleum reserve oil sales	-	(5)	-	(5)
Other	-	(1)	-	(1)
Earned revenues for transform our energy systems	**(313)**	**(4,305)**	**(103)**	**(4,721)**
The Science and Engineering Enterprise				
Isotopes program	-	(29)	-	(29)
Earned revenues for the science and engineering enterprise	**-**	**(29)**	**-**	**(29)**
Secure Our Nation				
Nuclear Waste Fund	(1,355)	(696)	2,039	(12)
D&D Fund	(108)	(169)	-	(277)
Other	(100)	(1)	-	(101)
Earned revenues for secure our nation	**(1,563)**	**(866)**	**2,039**	**(390)**
Reimbursable programs	(3,525)	(643)	-	(4,168)
Other programs				
FERC (Note 23)	-	(310)	-	(310)
Other (Note 23)	(2)	(42)	-	(44)
Earned revenues for other programs	**(2)**	**(352)**	**-**	**(354)**
Total earned revenues	**$ (5,403)**	**$ (6,195)**	**$ 1,936**	**$ (9,662)**

POWER MARKETING ADMINISTRATIONS

The Department's four PMAs market electricity generated primarily by federal hydropower projects. Preference for the sale of power is given to public bodies and cooperatives. Revenues from selling power and transmission services are used to repay Treasury annual appropriations, interest on the capital investment repayment, borrowings from Treasury, operation and maintenance costs as well as other payment obligations. Revenues collected by the Southeastern, Southwestern, and Western Area Power Administrations on behalf of other agencies are reported as custodial activity (see Note 28).

LOAN PROGRAMS
The loan program is required to collect administrative fees for the Title XVII loan program from the borrowers. Those fees are recognized as earned when an expense is accrued. Fees of $5 million and $36 million were earned as of September 30, 2013 and September 30, 2012, respectively. The program also earns interest on the loans made to borrowers and on the cash balances held with Treasury. Interest on cash balances of $107 million and $205 million and on loans from the borrower of $326 million and $229 million were earned as of September 30, 2013 and September 30, 2012, respectively. Amortization of the subsidy (see Note 7) is an adjustment made to the earned revenue and was $53 million and $(103) million as of September 30, 2013 and September 30, 2012, respectively.

NUCLEAR WASTE FUND
The NWPA requires the Department to assess fees against owners and generators of high-level radioactive waste and spent nuclear fuel to fund the costs associated with management and disposal activities under the Act. Fees of $734 million and $746 million were assessed as of September 30, 2013, and September 30, 2012, respectively. Interest earned on fees owed and on accumulated funds totaled $1,367 million and $1,304 million as of September 30, 2013, and September 30, 2012, respectively. Adjustments are made annually to defer the recognition of revenues until earned (i.e., when costs are incurred).

D&D FUND
The Department assessed fees to domestic utilities to pay for the costs for decontamination and decommissioning the Department's gaseous diffusion facilities used for uranium enrichment services. Accumulated funds in excess of those needed to pay current program costs are invested in Treasury securities. Interest earned on these investments totaled $70 million and $108 million as of September 30, 2013 and September 30, 2012, respectively. Gains on the transfer of uranium to USEC in exchange for environmental clean-up services totaled $180 million as of September 30, 2013, and $169 million as of September 30, 2012.

REIMBURSABLE PROGRAMS
The Department performs work for other federal agencies and private companies on a reimbursable work basis and on a cooperative work basis.

The Department's policy is to establish prices for materials and services provided to public entities at the Department's full cost. In some cases, the full cost information reported by the Department in accordance with SFFAS No. 4, *Managerial Cost Accounting Concepts and Standards for the Federal Government,* exceeds revenues. This results from implementation of provisions contained in the Economy Act of 1932, as amended; the Atomic Energy Act of 1954, as amended; and the National Defense Authorization Act for Fiscal Year 1999, which provide the Department with the authority to charge customers an amount less than the full cost of the product or service. Costs attributable to generating intragovernmental reimbursable program revenues were $3,625 million and $3,651 million as of September 30, 2013, and September 30, 2012, respectively.

FEDERAL ENERGY REGULATORY COMMISSION
FERC is an independent regulatory organization within the Department that regulates essential aspects of electric, natural gas and oil pipeline industries, and non-federal hydropower industries. It ensures that the rates, terms, and conditions of service for segments of the electric and natural gas and oil pipeline industries are just and reasonable; it authorizes the construction of natural gas pipeline facilities; and it ensures that hydropower licensing administration and safety actions are consistent with the public interest. FERC assesses most of its administrative program costs as an annual charge to each regulated entity (see Note 23).

23. Other Programs

($ IN MILLIONS)	FY 2013		FY 2012	
Federal Energy Regulatory Commission				
Program costs	$ 305		$ 310	
Less earned revenues (Note 22)	(305)		(310)	
		$ -		$ -
Environment, safety and health		436		437
Inspector General		49		48
Other programs				
Program costs	$ 53		$ 20	
Less earned revenues (Note 22)	(45)		(44)	
		$ 8		$ (24)
Total net cost for other programs		**$ 493**		**$ 461**

24. Costs Applied to Reduction of Legacy Environmental Liabilities

Costs applied to reduction of legacy environmental liabilities are current year operating expenditures for the remediation of contaminated facilities and wastes generated from past operations. These amounts are excluded from current year program expenses since the expense was accrued in prior years when the Department recorded the environmental liabilities.

25. Costs Not Assigned

($ IN MILLIONS)	FY 2013	FY 2012
Spent nuclear fuel contingency (Notes 18)		
Judgment Fund payments (Notes 20 and 26)	$ 1,100	$ 966
Change in estimates (Note 26)	1,631	620
Current year spent nuclear fuel contingency costs	$ 2,731	$ 1,586
Change in environmental liability estimates (Note 26)	18,003	25,262
Changes in contractor pension and PRB estimates (Note 26)	(9,864)	1,851
Change in unfunded safety and health liabilities (Notes 11, 14 and 26)	(110)	(541)
Change in occupational illness program (Notes 20 and 26)	1,628	1,651
Other Judgment Fund payments (Notes 20 and 26)	27	10
Other	(6)	34
Total costs not assigned	**$ 12,409**	**$ 29,853**

CHANGES IN CONTRACTOR PENSION AND PRB ESTIMATES

The changes in contractor pension and PRB estimates are comprised of all the components of contractor pension and PRB net periodic costs except for service costs [i.e., interest costs; expected return on plan assets; (gain)/loss due to curtailments, settlements, or special termination benefits; net prior service cost/(credit); and net (gain)/loss including impacts of changes in actuarial assumptions]. Service costs are not included since they are recorded by program (see Notes 16 and 26).

COMPENSATION PROGRAM FOR OCCUPATIONAL ILLNESSES

The Energy Employees Occupational Illness Compensation Program Act (EEOICPA) authorized compensation for certain illnesses suffered by employees of the Department, its predecessor agencies, and contractors who performed work for the nuclear weapons program. EEOICPA covers illnesses associated with exposure to radiation, beryllium, or silica. In general, each eligible employee and survivors of deceased employees will receive compensation for the disability or death of that employee in the amount of $150,000 plus the costs of medical care.

The National Defense Authorization Act of 2005 amended the EEOICPA to grant workers' compensation benefits to covered employees and their families for illness and death arising from exposure to toxic substances at the Department's facilities. The amendment also makes it possible for uranium workers, as defined under Section 5 of the Radiation Exposure Compensation Act, to receive compensation for illnesses due to toxic substance exposure at a uranium mine or mill covered under that Act.

As of September 30, 2005, the law makes payments under these programs the responsibility of the Department of Labor. Therefore, the liability is recorded by the Department of Labor and changes in the total liability are recognized by the Department as an imputed cost and an imputed financing source.

26. Reconciliation of Net Cost of Operations to Budget

($ IN MILLIONS)	FY 2013		FY 2012	
RESOURCES USED TO FINANCE ACTIVITIES				
Obligations incurred (Note 27)	$ 36,740		$ 37,662	
Less spending authority from offsetting collections and recoveries	(11,893)		(11,558)	
Less offsetting receipts (Note 27)	(4,185)		(4,132)	
Net obligations		**$ 20,662**		**$ 21,972**
Imputed financing from costs absorbed by others				
Increase in occupational illnesses liability (Notes 20 and 25)	$ 1,628		$ 1,651	
OPM imputed costs (Note 20)	98		102	
Payments made from Treasury's Judgment Fund (Notes 20 and 25)	1,127		976	
Total imputed costs absorbed by others		$ 2,853		$ 2,729
Transfers-in/(out) without reimbursement		(154)		(189)
Nuclear Waste Fund offsetting receipts, deferred		2,838		2,879
Other		16		30
Total resources used to finance activities		**$ 26,215**		**$ 27,421**
RESOURCES USED TO FINANCE ACTIVITIES NOT PART OF NET COST OF OPERATIONS				
Change in budgetary resources obligated for orders but not yet provided	$ 6,545		$ 15,065	
Resources that finance the acquisition of assets	(8,546)		(12,700)	
Credit program collection and receipts that increase liabilities	1,749		2,051	
Resources that fund expenses recognized in prior periods	(4,654)		(5,508)	
Other resources and adjustments	1,552		1,427	
Total resources used to finance items not part of Net Cost of Operations		**$ (3,354)**		**$ 335**
NET COST OF ITEMS THAT DO NOT REQUIRE OR GENERATE RESOURCES IN CURRENT PERIOD				
Contractor Pension and PRB plans				
Contractor pension and PRB estimate changes (Note 25)	$ (9,864)		$ 1,851	
Current year pension and PRB service costs (Notes 16 and 25)	1,357		1,248	
Current year pension and PRB employer contributions (Note 16)	(1,576)		(1,887)	
Total pension and PRB plans	$ (10,083)		$ 1,212	
Change in environmental liability estimates (Note 25)	18,003		25,262	
Change in spent nuclear fuel contingency (Note 25)	1,631		620	
Change in unfunded safety and health liabilities (Notes 11, 14 and 25)	(110)		(541)	
Upward/Downward reestimates of credit subsidy expense	(124)		(1,310)	
Change in other unfunded liabilities	66		101	
Depreciation of property, plant and equipment	1,807		1,839	
Amortization of premiums and discounts on Treasury investments	(683)		(736)	
Revaluation of assets and liabilities for loans	(50)		(98)	
Other amortization	166		181	
Other	86		1,124	
Total net cost of items that do not require or generate resources in current period		**$ 10,709**		**$ 27,654**
NET COST OF OPERATIONS		**$ 33,570**		**$ 55,410**

NUCLEAR WASTE FUND OFFSETTING RECEIPTS, DEFERRED

The Department defers the recognition of revenues related to the fees paid by owners and generators of spent nuclear fuel, and the interest earned on the invested balance of these funds, to the extent that the receipts exceed current year costs for developing and managing a permanent repository for spent nuclear fuel generated by civilian reactors. In addition, market value adjustments for Treasury securities of the NWF are not recognized as revenues in the current period unless redeemed by the Department. The gross amount of receipts and interest collected are reported as offsetting receipts on the *Combined Statements of Budgetary Resources*. Therefore, a reconciling amount is reported for the portion of the offsetting receipts for which revenues are not recognized in the current period.

27. Combined Statements of Budgetary Resources

The *Statements of Budgetary Resources* are presented on a combined, rather than a consolidated, basis in accordance with OMB guidance.

DETAILS OF OBLIGATIONS INCURRED ($ IN MILLIONS)	FY 2013	FY 2012
Direct		
Category A (by quarter)	$ 12,778	$ 13,830
Category B (by project)	14,974	15,411
Sub-total direct obligations incurred	**$ 27,752**	**$ 29,241**
Exempt from apportionment	4,229	3,704
Reimbursable		
Category A (by quarter)	4	28
Category B (by project)	4,755	4,689
Sub-total reimbursable obligations incurred	**$ 4,759**	**$ 4,717**
Total obligations incurred (Note 26)	**$ 36,740**	**$ 37,662**

UNOBLIGATED BALANCES NOT AVAILABLE ($ IN MILLIONS)	FY 2013	FY 2012
Loan funds reserved for future defaults	$ 2,197	$ 3,494
Offsetting collections reserved for repayment of borrowing authority	-	152
Prior year deobligations in excess of apportioned amount	56	68
Reimbursable work/collections in excess of amount anticipated	64	17
Expired appropriations	406	266
Other amounts not apportioned	4	13
Total unobligated balances not available (Note 3)	**$ 2,727**	**$ 4,010**

Unobligated balances not available represent budgetary resources that have not been apportioned to the Department.

DETAILS OF UNPAID OBLIGATIONS ($ IN MILLIONS)	FY 2013	FY 2012
Undelivered orders	$ 22,255	$ 29,489
Accounts payable and other liabilities	7,421	7,546
Total unpaid obligations (Note 3)	**$ 29,676**	**$ 37,035**

RECONCILIATION TO APPROPRIATIONS RECEIVED ON THE CONSOLIDATED STATEMENTS OF CHANGES IN NET POSITION ($ IN MILLIONS)	FY 2013	FY 2012
Appropriations on the Combined Statements of Budgetary Resources:		
Definite appropriations	$ 24,709	$ 25,928
Permanent indefinite appropriations	176	448
Total appropriations on the Combined Statements of Budgetary Resources	$ 24,885	$ 26,376
Adjustments to take the SBR from net appropriations to appropriations received:		
Rescissions, sequesters, and other amounts precluded from obligation	2,430	791
Appropriation transfers	(5)	(5)
Other adjustments:		
Special and trust fund appropriated receipts	(590)	(622)
Appropriated capital owed, net	(6)	(12)
Other	-	-
Appropriations received on the Consolidated Statements of Changes in Net Position	**$ 26,714**	**$ 26,528**

PERMANENT INDEFINITE APPROPRIATIONS

The Department is authorized to use indefinite appropriations per the FCRA. These amounts are used to fund upward re-estimates on the FCRA loans.

RECONCILIATION TO THE BUDGET (FY 2012) ($ IN MILLIONS)	BUDGETARY RESOURCES	OBLIGATIONS INCURRED	DISTRIBUTED OFFSETTING RECEIPTS	NET OUTLAYS
Combined Statements of Budgetary Resources as published	$ 51,292	$ 37,662	$ (4,132)	$ 37,160
OMB adjustments made to exclude:				
U.S. Enrichment Corporation Fund	-	-	-	5
Non-budgetary Credit Reform Financing Accounts	(5,171)	(1,664)	-	(4,702)
Expired accounts	(275)	-	-	-
Beginning balance adjustments immaterial to the SBR	91	91	-	17
Other	14	-	3	4
Budget of the United States Government	**$ 45,951**	**$ 36,089**	**$ (4,129)**	**$ 32,484**

The FY 2012 *Combined Statements of Budgetary Resources* are reconciled to the President's Budget that was published in March 2013. The President's Budget containing actual FY 2013 balances is expected to be published and available on the OMB web site, www.whitehouse.gov/omb/budget, in February 2014. Budgetary resources and obligations incurred are reconciled to the Departmental balances as published in the Appendix to the Budget; distributed offsetting receipts and net outlays are reconciled to the Departmental balances in the Federal Program by Agency and Account section of the Analytical Perspectives Volume of the President's Budget.

The non-budgetary credit reform financing accounts are reported separately in the President's Budget and are not reflected in the budget surplus or deficit.

BORROWING AUTHORITY

The Department's borrowing authority reflected in the *Combined Statements of Budgetary Resources* represents the amount of borrowing authority for the current fiscal year's obligations, which may or may not have been converted to cash. The borrowing authority available at September 30, 2013 and September 30, 2012, is $2.32 billion and $5.97 billion for the Department's loan program, $3.81 billion and $4.28 billion for BPA, and $3.19 billion and $3.06 billion for WAPA, respectively. The amounts available are authority that has not been converted to cash.

28. Custodial Activities

POWER MARKETING ADMINISTRATIONS

The Southeastern, Southwestern, and Western Area Power Administrations are responsible for collecting and remitting to Treasury and the Department of the Interior revenues attributable to the hydroelectric power projects owned and operated by the Department of Defense, Army Corps of Engineers; the Department of the Interior, Bureau of Reclamation; and the Department of State, International Boundary and Water Commission. These revenues are reported as custodial activities of the Department.

FEDERAL ENERGY REGULATORY COMMISSION

FERC is responsible for billing regulated companies annual charges as a custodian for certain federal agencies. These include: 1) the Army Corps of Engineers for licensees to provide maintenance and operations of dams owned by the U.S. and maintenance for operations of headwater or other navigable waters owned by the U.S.; 2) Bureau of Reclamation for the occupancy and use of public lands and national parks owned by the U.S. and for Indian Tribal Trust Funds from licensees for the reservation of Indian land; 3) Treasury for revenues collected based on penalties, interest, and administrative charges for overdue accounts receivables and for civil penalties; and 4) payments to states collected from licensees for the occupancy and use of national forests and public lands from development within the boundaries of any state.

Consolidating Schedules

U.S. Department of Energy Consolidating Schedules - Balance Sheets

As of September 30, 2013 and 2012

(See independent auditors' report)

($ IN MILLIONS)	FEDERAL ENERGY REGULATORY COMMISSION	POWER MARKETING ADMINISTRATIONS	ALL OTHER DOE PROGRAMS	ELIMINATIONS	CONSOLIDATED
	FY 2013				
ASSETS:					
Intragovernmental Assets:					
Fund Balance with Treasury	$ 76	$ 1,789	$ 31,843	$ -	$ 33,708
Investments and Related Interest, Net	-	499	36,390	-	36,889
Accounts Receivable, Net	-	282	984	(643)	623
Other Assets	-	-	76	(53)	23
Total Intragovernmental Assets	**$ 76**	**$ 2,570**	**$ 69,293**	**$ (696)**	**$ 71,243**
Investments and Related Interest, Net	-	-	173	-	173
Accounts Receivable, Net	29	472	3,308	-	3,809
Direct Loans and Loan Guarantees, Net	-	1	12,374	-	12,375
Inventory, Net:					
Strategic Petroleum and Home Heating Oil Reserve	-	-	20,812	-	20,812
Nuclear Materials	-	-	21,495	-	21,495
Other Inventory	-	136	487	-	623
General Property, Plant, and Equipment, Net	12	8,564	24,769	-	33,345
Regulatory Assets	-	11,921	-	-	11,921
Other Non-Intragovernmental Assets	-	3,787	323	-	4,110
Total Assets	**$ 117**	**$ 27,451**	**$ 153,034**	**$ (696)**	**$ 179,906**
LIABILITIES:					
Intragovernmental Liabilities:					
Accounts Payable	$ 1	$ 63	$ 185	$ (164)	$ 85
Debt	-	13,197	13,880	-	27,077
Deferred Revenues and Other Credits	-	6	143	(54)	95
Other Liabilities	23	33	965	(478)	543
Total Intragovernmental Liabilities	$ 24	$ 13,299	$ 15,173	$ (696)	$ 27,800
Accounts Payable	11	439	3,258	-	3,708
Loan Guarantee Liability	-	-	183	-	183
Debt Held by the Public	-	5,949	-	-	5,949
Deferred Revenues and Other Credits	-	1,393	34,891	-	36,284
Environmental Cleanup and Disposal Liabilities	-	14	280,256	-	280,270
Pension and Other Actuarial Liabilities	4	56	21,385	-	21,445
Obligations Under Capital Leases	-	933	72	-	1,005
Other Non-Intragovernmental Liabilities	35	3,704	2,650	-	6,389
Contingencies and Commitments	-	92	21,393	-	21,485
Total Liabilities	**$ 74**	**$ 25,879**	**$ 379,261**	**$ (696)**	**$ 404,518**
NET POSITION:					
Unexpended Appropriations					
Unexpended Appropriations- Dedicated Collections	$ -	$ -	$ 20	$ -	$ 20
Unexpended Appropriations- Other Funds	-	-	24,537	-	24,537
Cumulative Results of Operations					
Cumulative Results of Operations - Dedicated Collections	-	1,572	(10,522)	-	(8,950)
Cumulative Results of Operations - Other Funds	43	-	(240,262)	-	(240,219)
Total Net Position	**$ 43**	**$ 1,572**	**$ (226,227)**	**$ -**	**$ (224,612)**
Total Liabilities and Net Position	**$ 117**	**$ 27,451**	**$ 153,034**	**$ (696)**	**$ 179,906**

FEDERAL ENERGY REGULATORY COMMISSION	POWER MARKETING ADMINISTRATIONS	ALL OTHER DOE PROGRAMS	ELIMINATIONS	CONSOLIDATED
FY 2012				
$ 164	$ 1,731	$ 36,530	$ -	$ 38,425
-	397	34,643	-	35,040
-	295	1,675	(1,297)	673
-	-	93	(62)	31
$ 164	**$ 2,423**	**$ 72,941**	**$ (1,359)**	**$ 74,169**
-	-	181	-	181
11	513	3,346	-	3,870
-	1	10,682	-	10,683
-	-	20,778	-	20,778
-	-	21,120	-	21,120
-	121	433	-	554
9	8,142	24,628	-	32,779
-	12,453	-	-	12,453
-	3,866	427	-	4,293
$ 184	**$ 27,519**	**$ 154,536**	**$ (1,359)**	**$ 180,880**
$ 2	$ 68	$ 290	$ (239)	$ 121
-	12,731	12,112	-	24,843
-	6	152	(62)	96
5	25	2,506	(1,058)	1,478
$ 7	$ 12,830	$ 15,060	$ (1,359)	$ 26,538
13	507	3,708	-	4,228
-	-	157	-	157
-	6,127	-	-	6,127
-	1,407	32,799	-	34,206
-	4	268,397	-	268,401
3	54	31,480	-	31,537
-	786	77	-	863
143	3,850	2,730	-	6,723
-	81	19,772	-	19,853
$ 166	**$ 25,646**	**$ 374,180**	**$ (1,359)**	**$ 398,633**
$ -	$ 1	$ 22	$ -	$ 23
-	-	28,073	-	28,073
-	1,872	(6,791)	-	(4,919)
18	-	(240,948)	-	(240,930)
$ 18	**$ 1,873**	**$ (219,644)**	**$ -**	**$ (217,753)**
$ 184	**$ 27,519**	**$ 154,536**	**$ (1,359)**	**$ 180,880**

U.S. Department of Energy Consolidating Schedules of Net Cost

For the Years Ended September 30, 2013 and 2012

(See independent auditors' report)

($ IN MILLIONS)	FEDERAL ENERGY REGULATORY COMMISSION	POWER MARKETING ADMINISTRATIONS	ALL OTHER DOE PROGRAMS	ELIMINATIONS	CONSOLIDATED
	FY 2013				
STRATEGIC GOALS:					
Transform Our Energy Systems					
Program Costs	$ -	$ 4,132	$ 6,879	$ (43)	$ 10,968
Less: Earned Revenues	-	(4,172)	(514)	43	(4,643)
Net Cost of Transform Our Energy Systems	-	**(40)**	**6,365**	-	**6,325**
The Science and Engineering Enterprise					
Program Costs	-	-	4,831	(18)	4,813
Less: Earned Revenues	-	-	(39)	-	(39)
Net Cost of Science and Engineering Enterprise	-	-	**4,792**	**(18)**	**4,774**
Secure Our Nation					
Program Costs	-	-	14,404	-	14,404
Less: Earned Revenues	-	-	(289)	-	(289)
Net Cost of Secure Our Nation	-	-	**14,115**	-	**14,115**
Net Cost of Strategic Goals	-	**(40)**	**25,272**	**(18)**	**25,214**
OTHER PROGRAMS:					
Reimbursable Programs:					
Program Costs	-	245	4,099	(27)	4,317
Less: Earned Revenues	-	(313)	(3,919)	27	(4,205)
Net Cost of Reimbursable Programs	-	**(68)**	**180**	-	**112**
Other Programs:					
Program Costs	305	-	726	(188)	843
Less: Earned Revenues	(305)	-	(233)	188	(350)
Net Cost of Other Programs	-	-	**493**	-	**493**
Costs Applied to Reduction of Legacy Environmental Lia	-	-	(4,658)	-	(4,658)
Costs Not Assigned	-	-	12,409	-	12,409
Net Cost of Operations	**$ -**	**$ (108)**	**$ 33,696**	**$ (18)**	**$ 33,570**

FEDERAL ENERGY REGULATORY COMMISSION	POWER MARKETING ADMINISTRATIONS	ALL OTHER DOE PROGRAMS	ELIMINATIONS	CONSOLIDATED
FY 2012				
$ -	$ 3,967	$ 11,298	$ (44)	$ 15,221
-	(4,177)	(588)	44	(4,721)
-	**(210)**	**10,710**	**-**	**10,500**
-	-	4,962	(19)	4,943
-	-	(29)	-	(29)
-	**-**	**4,933**	**(19)**	**4,914**
-	-	15,550	-	15,550
-	-	(390)	-	(390)
-	**-**	**15,160**	**-**	**15,160**
-	**(210)**	**30,803**	**(19)**	**30,574**
-	241	3,999	(26)	4,214
-	(302)	(3,892)	26	(4,168)
-	**(61)**	**107**	**-**	**46**
310	-	686	(181)	815
(310)	-	(225)	181	(354)
-	**-**	**461**	**-**	**461**
-	(8)	(5,516)	-	(5,524)
-	-	29,853	-	29,853
$ -	**$ (279)**	**$ 55,708**	**$ (19)**	**$ 55,410**

U.S. Department of Energy Consolidating Schedules of Changes in Net Position

For the Years Ended September 30, 2013 and 2012

(See independent auditors' report)

($ IN MILLIONS)	FEDERAL ENERGY REGULATORY COMMISSION	POWER MARKETING ADMINISTRATIONS	ALL OTHER DOE PROGRAMS	ELIMINATIONS	CONSOLIDATED
	FY 2013				
CUMULATIVE RESULTS OF OPERATIONS:					
Beginning Balances	$ 18	$ 1,872	$ (247,739)	$ -	$ (245,849)
Budgetary Financing Sources:					
Appropriations Used	$ -	$ 6	$ 27,908	$ -	$ 27,914
Non-Exchange Revenue	-	-	53	-	53
Donations and Forfeitures of Cash	-	-	3	-	3
Transfers - In/(Out) Without Reimbursement	-	(314)	(6)	3	(317)
Other Financing Sources (Non-Exchange):					
Donations and Forfeitures of Cash	-	15	2	-	17
Transfers - In/(Out) Without Reimbursement	11	(134)	(28)	(3)	(154)
Imputed Financing from Costs Absorbed by Others	14	3	2,836	-	2,853
Other	-	16	(117)	(18)	(119)
Total Financing Sources	**$ 25**	**$ (408)**	**$ 30,651**	**$ (18)**	**$ 30,250**
Net Cost of Operations	-	108	(33,696)	18	(33,570)
Net Change	**$ 25**	**$ (300)**	**$ (3,045)**	**$ -**	**$ (3,320)**
Total Cumulative Results of Operations	**$ 43**	**$ 1,572**	**$ (250,784)**	**$ -**	**$ (249,169)**
UNEXPENDED APPROPRIATIONS:					
Beginning Balances	$ -	$ 1	$ 28,095	$ -	$ 28,096
Budgetary Financing Sources:					
Appropriations Received	$ -	$ 5	$ 26,709	$ -	$ 26,714
Appropriations Transferred - In/(Out)	-	-	5	-	5
Other Adjustments	-	-	(2,344)	-	(2,344)
Appropriations Used	-	(6)	(27,908)	-	(27,914)
Total Budgetary Financing Sources	**$ -**	**$ (1)**	**$ (3,538)**	**$ -**	**$ (3,539)**
Total Unexpended Appropriations	**$ -**	**$ -**	**$ 24,557**	**$ -**	**$ 24,557**
Net Position	**$ 43**	**$ 1,572**	**$ (226,227)**	**$ -**	**$ (224,612)**

FEDERAL ENERGY REGULATORY COMMISSION	POWER MARKETING ADMINISTRATIONS	ALL OTHER DOE PROGRAMS	ELIMINATIONS	CONSOLIDATED
FY 2012				
$ (10)	$ 1,856	$ (229,048)	$ -	$ (227,202)
$ -	$ 2	$ 35,382	$ -	$ 35,384
-	-	55	-	55
-	-	11	-	11
-	(174)	(13)	9	(178)
-	38	-	-	38
(30)	(145)	(5)	(9)	(189)
14	1	2,714	-	2,729
44	15	(1,127)	(19)	(1,087)
$ 28	**$ (263)**	**$ 37,017**	**$ (19)**	**$ 36,763**
-	279	(55,708)	19	(55,410)
$ 28	**$ 16**	**$ (18,691)**	**$ -**	**$ (18,647)**
$ 18	**$ 1,872**	**$ (247,739)**	**$ -**	**$ (245,849)**
$ 29	$ 3	$ 37,730	$ -	$ 37,762
$ -	$ -	$ 26,528	$ -	$ 26,528
-	-	9	-	9
(29)	-	(790)	-	(819)
-	(2)	(35,382)	-	(35,384)
$ (29)	**$ (2)**	**$ (9,635)**	**$ -**	**$ (9,666)**
$ -	**$ 1**	**$ 28,095**	**$ -**	**$ 28,096**
$ 18	**$ 1,873**	**$ (219,644)**	**$ -**	**$ (217,753)**

U.S. Department of Energy Combining Schedules of Budgetary Resources

For the Years Ended September 30, 2013 and 2012

(See independent auditors' report)

($ IN MILLIONS)	FEDERAL ENERGY REGULATORY COMMISSION	POWER MARKETING ADMINISTRATIONS	ALL OTHER DOE PROGRAMS	COMBINED
	FY 2013			
BUDGETARY RESOURCES:				
Unobligated Balance Brought Forward, October 1	$ 21	$ 751	$ 12,858	$ 13,630
Recoveries of Prior Year Unpaid Obligations	1	-	1,259	1,260
Other Changes in Unobligated Balance (+ or -)	-	(152)	(992)	(1,144)
Unobligated Balance from Prior Year Budget Authority, Net	$ 22	$ 599	$ 13,125	$ 13,746
Appropriations	3	102	24,780	24,885
Borrowing Authority	-	623	11	634
Contract Authority	-	1,455	-	1,455
Spending Authority from Offsetting Collections	289	3,248	4,628	8,165
Total Budgetary Resources	**$ 314**	**$ 6,027**	**$ 42,544**	**$ 48,885**
STATUS OF BUDGETARY RESOURCES:				
Obligations Incurred	$ 293	$ 5,311	$ 31,136	$ 36,740
Unobligated Balance, End of Year:				
Apportioned	$ 21	$ 707	$ 8,673	$ 9,401
Exempt from Apportionment	-	8	9	17
Unapportioned	-	1	2,726	2,727
Total Unobligated Balance, End of Year	**$ 21**	**$ 716**	**$ 11,408**	**$ 12,145**
Total Budgetary Resources	**$ 314**	**$ 6,027**	**$ 42,544**	**$ 48,885**
CHANGE IN OBLIGATED BALANCE:				
Unpaid Obligations:				
Unpaid Obligations, Brought Forward, October 1	$ 36	$ 3,058	$ 33,941	$ 37,035
Obligations Incurred	293	5,311	31,136	36,740
Outlays (Gross) (-)	(294)	(5,017)	(37,528)	(42,839)
Recoveries of Prior Year Unpaid Obligations (-)	(1)	-	(1,259)	(1,260)
Unpaid Obligations, End of Year	**$ 34**	**$ 3,352**	**$ 26,290**	**$ 29,676**
Uncollected Payments:				
Uncollected Customer Payments from Federal Sources, Brought Forward, October 1 (-)	$ -	$ (371)	$ (5,124)	$ (5,495)
Change in Uncollected Customer Payments from Federal Sources (+ or -)	-	50	782	832
Uncollected Customer Payments from Federal Sources, End of Year (-)	**$ -**	**$ (321)**	**$ (4,342)**	**$ (4,663)**
Memorandum (non-add) Entries:				
Obligated Balance, Start of Year (+ or -)	**$ 36**	**$ 2,687**	**$ 28,817**	**$ 31,540**
Obligated Balance, End of Year (+ or -)	**$ 34**	**$ 3,031**	**$ 21,948**	**$ 25,013**
BUDGET AUTHORITY AND OUTLAYS, NET:				
Budget Authority, Gross	$ 292	$ 5,428	$ 29,419	35,139
Actual Offsetting Collections (-)	(305)	(4,839)	(6,321)	(11,465)
Change in Uncollected Customer Payments from Federal Sources (+ or -)	-	50	782	832
Budget Authority, Net	**$ (13)**	**$ 639**	**$ 23,880**	**$ 24,506**
Outlays, Gross	$ 294	$ 5,017	$ 37,528	42,839
Actual Offsetting Collections (-)	(305)	(4,839)	(6,321)	(11,465)
Outlays, Net	**$ (11)**	**$ 178**	**$ 31,207**	**$ 31,374**
Distributed Offsetting Receipts (-)	(295)	(574)	(3,316)	(4,185)
Agency Outlays, Net	**$ (306)**	**$ (396)**	**$ 27,891**	**$ 27,189**

FEDERAL ENERGY REGULATORY COMMISSION	POWER MARKETING ADMINISTRATIONS	ALL OTHER DOE PROGRAMS	COMBINED
FY 2012			
$ 20	$ 500	$ 13,595	$ 14,115
1	9	1,683	1,693
-	-	(1,069)	(1,069)
$ 21	$ 509	$ 14,209	$ 14,739
3	108	26,265	26,376
-	806	4	810
-	1,272	-	1,272
305	2,695	5,095	8,095
$ 329	**$ 5,390**	**$ 45,573**	**$ 51,292**
$ 308	$ 4,639	$ 32,715	$ 37,662
$ 21	$ 576	9,005	$ 9,602
-	9	9	18
-	166	3,844	4,010
$ 21	**$ 751**	**$ 12,858**	**$ 13,630**
$ 329	**$ 5,390**	**$ 45,573**	**$ 51,292**
$ 34	$ 3,060	$ 50,790	$ 53,884
308	4,639	32,715	37,662
(305)	(4,632)	(47,881)	(52,818)
(1)	(9)	(1,683)	(1,693)
$ 36	**$ 3,058**	**$ 33,941**	**$ 37,035**
$ -	$ (368)	$ (6,788)	$ (7,156)
-	(3)	1,664	1,661
$ -	**$ (371)**	**$ (5,124)**	**$ (5,495)**
$ 34	**$ 2,692**	**$ 44,002**	**$ 46,728**
$ 36	**$ 2,687**	**$ 28,817**	**$ 31,540**
$ 308	$ 4,881	$ 31,364	36,553
(305)	(4,406)	(6,815)	(11,526)
-	(3)	1,664	1,661
$ 3	**$ 472**	**$ 26,213**	**$ 26,688**
$ 305	$ 4,632	$ 47,881	52,818
(305)	(4,406)	(6,815)	(11,526)
$ -	**$ 226**	**$ 41,066**	**$ 41,292**
(179)	(510)	(3,443)	(4,132)
$ (179)	**$ (284)**	**$ 37,623**	**$ 37,160**

U.S. Department of Energy Consolidating Schedules of Custodial Activities

For the Years Ended September 30, 2013 and 2012

(See independent auditors' report)

($ IN MILLIONS)	FEDERAL ENERGY REGULATORY COMMISSION	POWER MARKETING ADMINISTRATIONS	ALL OTHER DOE PROGRAMS	ELIMINATIONS	CONSOLIDATED
	FY 2013				
SOURCES OF COLLECTIONS:					
Cash Collections:					
Power Marketing Administrations	$ -	$ 907	$ -	$ -	$ 907
Federal Energy Regulatory Commission	327	-	-	-	327
Total Cash Collections	**$ 327**	**$ 907**	**$ -**	**$ -**	**$ 1,234**
Accrual Adjustment	14	6	-	-	20
Total Custodial Revenue	**$ 341**	**$ 913**	**$ -**	**$ -**	**$ 1,254**
DISPOSITION OF REVENUE:					
Transferred to Others:					
Bureau of Reclamation	(7)	(503)	-	-	(510)
Department of the Treasury	(312)	(242)	-	-	(554)
Army Corps of Engineers	(8)	(162)	-	-	(170)
Decrease/(Increase) in Amounts to be Tran	(14)	(6)	-	-	(20)
Net Custodial Activity	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**

FEDERAL ENERGY REGULATORY COMMISSION	POWER MARKETING ADMINISTRATIONS	ALL OTHER DOE PROGRAMS	ELIMINATIONS	CONSOLIDATED
FY 2012				
$ -	$ 783	$ -	$ -	$ 783
178	-	-	-	178
$ 178	**$ 783**	**$ -**	**$ -**	**$ 961**
1	(9)	-	-	(8)
$ 179	**$ 774**	**$ -**	**$ -**	**$ 953**
(7)	(408)	-	-	(415)
(163)	(296)	-	-	(459)
(8)	(80)	-	-	(88)
(1)	10	-	-	9
$ -	**$ -**	**$ -**	**$ -**	**$ -**

Required Supplementary Stewardship Information (RSSI)

Supplementary Stewardship Reporting on Research and Development Costs for the Fiscal Years 2013 through 2009

UNAUDITED – See accompanying Auditors' Report.

($ IN MILLIONS)	STRATEGIC GOALS	STRATEGIC OBJECTIVES	GPRA UNIT	FY2013 DIRECT COST	FY2013 DEPREC-IATION & OTHER	FY2013 TOTAL	FY2012 DIRECT COST	FY2012 DEPREC-IATION & OTHER	FY2012 TOTAL
BASIC	Transform Our Energy Systems	Discover the new solutions we need	Geothermal Technology	$ -	$ -	$ -	$ -	$ -	$ -
			Bioenergy Technologies	-	-	-	-	-	-
			Fossil Energy	4	1	5	5	1	6
		Deploy the technologies we have	Natural Gas Technology	-	-	-	-	-	-
			Petroleum Technologies	-	-	-	-	-	-
			Electricity Delivery and Energy Reliability	4	-	4	6	1	7
			Fossil Energy	-	-	-	-	-	-
			Building Technologies	-	-	-	9	1	10
			Basic Energy Sciences	-	-	-	-	-	-
			Bonneville Power Administration	9	-	9	9	-	9
	The Science and Engineering Enterprise	Extend Our Knowledge of the Natural World	High Energy Physics	674	120	794	711	126	837
			Basic Energy Sciences	1,076	155	1,231	1,411	277	1,688
			Biological and Environmental Research	255	55	310	263	49	312
			Nuclear Physics	441	15	456	456	131	587
			Isotope Program	21	-	21	19	-	19
		Deliver new technologies to advance our mission	Advanced Scientific Computing	413	99	512	330	88	418
			Basic Energy Sciences	388	32	420	-	-	-
			Biological and Environmental Research	401	46	447	494	52	546
			Fusion Energy	239	38	277	278	43	321
	Secure Our Nation	Reduce global nuclear dangers	Nonproliferation and Verification R&D	40	3	43	53	2	55
		Apply our capabilities for other critical national security missions	Nuclear Counterterrorism Incident Response	5	1	6	-	-	-
		Other Programs	All Other Programs	33	-	33	-	-	-
TOTAL BASIC				**$ 4,003**	**$ 565**	**$ 4,568**	**$ 4,044**	**$ 771**	**$ 4,815**
APPLIED	Transform Our Energy Systems	Discover the new solutions we need	Solar Energy	$ 42	$ 3	$ 45	$ 79	$ 3	$ 82
			Wind Energy	12	3	15	24	5	29
			Geothermal Technology	21	2	23	39	3	42
			Hydrogen and Fuel Cell Technologies	44	6	50	50	6	56
			Advanced Research Projects Agency - Energy	94	1	95	92	-	92
			Bioenergy Technologies	26	3	29	78	10	88
			Water Power	4	1	5	4	-	4
			Vehicle Technologies	90	11	101	61	7	68
			New Nuclear Generation Technologies	131	12	143	139	16	155
			Fossil Energy	158	48	206	219	53	272
		Deploy the technologies we have	Advanced Manufacturing Office	31	4	35	34	2	36
			Building Technologies	14	3	17	85	12	97
			Fossil Energy	-	-	-	-	-	-
			Natural Gas Technology	-	-	-	-	-	-
			Petroleum Technologies	-	-	-	-	-	-
			Electricity Delivery and Energy Reliability	42	5	47	46	5	51
			Bonneville Power Administration	5	-	5	5	-	5
	The Science and Engineering Enterprise	Deliver new technologies to advance our mission	Boilogical and Environmental Research	35	1	36	-	-	-
	Secure Our Nation	Support responsible civilian nuclear power development and fuel cycle	Fuel Cycle R&D and International Framework	128	28	156	145	25	170
			Nuclear Waste Disposal	-	-	-	-	-	-
		Support the U.S. nuclear stockpile and future mililtary needs	Directed Stockpile Work	403	14	417	491	13	504
			Science Campaign	309	17	326	289	23	312
			Engineering Campaign	124	6	130	130	7	137
			Inertial Confinement Fusion Ignition	338	14	352	420	49	469
			Advanced Simulation and Computing Campaign	470	74	544	441	78	519
			Readiness Campaign	-	-	-	-	-	-
			Readiness in Technical Base and Facilities	93	2	95	-	-	-
			Pit Manufacturing and Certification Campaign	-	1	1	-	1	1
			Facilities and Infrastructure Recapitalization	-	-	-	-	-	-
		Reduce global nuclear dangers	Nonproliferation and Verification	109	7	116	215	15	230
		Apply our capabilities for other critical national security missions	Nuclear Counterterrorism Incident Response	45	4	49	48	5	53
			Counterterrorism and Counterproliferation	6	-	6	10	1	11
		Complete environmental remediation of our legacy and active sites	Legacy Footprint Reduction	-	-	-	11	-	11
			Tank Waste Completed	4	-	4	-	-	-
		Other Programs	All Other Programns	10	-	10	-	-	-
TOTAL APPLIED				**$ 2,788**	**$ 270**	**$ 3,058**	**$ 3,155**	**$ 339**	**$ 3,494**
DEVELOPMENT	Transform Our Energy Systems	Discover the new solutions we need	Solar Energy	$ 14	$ 1	$ 15	$ 79	$ 3	$ 82
			Wind Energy	13	3	16	35	6	41
			Geothermal Technology	6	-	6	19	1	20
			Hydrogen and Fuel Cell Technologies	7	1	8	32	3	35
			Advanced Research Projects Agency - Energy	77	1	78	39	-	39
			Bioenergy Technologies	100	11	111	273	12	285
			Water Power	7	1	8	17	2	19
			Vehicle Technologies	78	9	87	171	18	189
			New Nuclear Generation Technologies	31	14	45	36	10	46
			Fossil Energy	197	60	257	274	66	340
		Deploy the technologies we have	Advance Manufacturing Office	22	3	25	56	5	61
			Building Technologies	44	7	51	119	22	141
			Natural Gas Technology	-	-	-	-	-	-
			Petroleum Technologies	-	-	-	-	-	-
			Electricity Delivery and Energy Reliability	26	3	29	24	2	26
			Bonneville Power Administration	1	-	1	1	-	1
	Secure Our Nation	Support responsible civilian nuclear power development and fuel cycle management	Fuel Cycle R&D and International Framework	-	-	-	-	-	-
		Support the U.S. nuclear stockpile and future military needs	Readiness and Technical Base and Facilities	520	113	633	483	197	680
		Reduce global nuclear dangers	Nonproliferation and Verification R&D	27	2	29	38	2	40
			Nuclear Counterterrorism Incident Response	9	-	9	8	-	8
		Apply our capabilities for other critical national security missions	Naval Reactors	914	48	962	935	45	980
		Complete environmental remediation of our legacy and active sites	Legacy Footprint Reduction	-	-	-	22	-	22
			Tank Waste Completed	8	-	8	-	-	-
TOTAL DEVELOPMENT				**$ 2,101**	**$ 277**	**$ 2,378**	**$ 2,661**	**$ 394**	**$ 3,055**
TOTAL R&D				**$ 8,892**	**$ 1,112**	**$ 10,004**	**$ 9,860**	**$ 1,504**	**$ 11,364**

FY2011			FY2010			FY2009		
DIRECT COST	DEPREC-IATION & OTHER	TOTAL	DIRECT COST	DEPREC-IATION & OTHER	TOTAL	DIRECT COST	DEPREC-IATION & OTHER	TOTAL
$ -	$ -	$ -	$ -	$ -	$ -	$ 3	$ 1	$ 4
4	1	5	2	-	2	1	-	1
6	2	8	5	1	6	3	1	4
-	-	-	-	-	-	10	3	13
-	-	-	-	-	-	-	-	-
4	1	5	1	-	1	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
8	-	8	-	-	-	-	-	-
723	129	852	659	109	768	648	133	781
1,280	277	1,557	1,170	204	1,374	1,012	194	1,206
301	46	347	282	28	310	250	21	271
417	145	562	414	116	530	391	84	475
12	-	12	10	-	10	-	-	-
383	97	480	269	82	351	248	77	325
-	-	-	-	-	-	-	-	-
481	54	535	428	48	476	406	41	447
276	39	315	265	29	294	244	44	288
42	2	44	30	3	33	133	10	143
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
$ 3,937	**$ 793**	**$ 4,730**	**$ 3,535**	**$ 620**	**$ 4,155**	**$ 3,349**	**$ 609**	**$ 3,958**
$ 33	$ 1	$ 34	$ 44	$ 3	$ 47	$ 36	$ 4	$ 40
28	4	32	20	1	21	9	1	10
43	3	46	22	2	24	5	1	6
89	14	103	107	8	115	107	14	121
64	-	64	16	-	16	3	-	3
79	8	87	67	7	74	56	6	62
19	2	21	12	1	13	2	1	3
100	13	113	71	7	78	70	7	77
55	8	63	113	64	177	52	23	75
250	74	324	200	55	255	112	37	149
52	5	57	51	3	54	20	2	22
74	11	85	38	2	40	27	3	30
-	-	-	-	-	-	-	-	-
10	3	13	5	2	7	10	3	13
3	1	4	4	1	5	3	1	4
35	5	40	11	-	11	37	2	39
4	-	4	3	-	3	7	-	7
-	-	-	-	-	-	-	-	-
139	21	160	135	55	190	68	18	86
-	-	-	-	-	-	2	-	2
419	29	448	334	26	360	295	20	315
247	22	269	275	23	298	310	20	330
108	8	116	149	8	157	121	10	131
57	26	83	137	53	190	120	-	120
411	72	483	475	69	544	418	112	530
-	-	-	-	-	-	2	-	2
-	-	-	-	-	-	-	5	5
-	2	2	1	2	3	21	4	25
-	-	-	-	-	-	-	-	-
189	18	207	144	12	156	30	2	32
59	3	62	-	-	-	46	2	48
-	-	-	-	-	-	-	-	-
30	1	31	16	2	18	11	2	13
116	1	117	125	2	127	-	-	-
-	-	-	-	-	-	-	-	-
$ 2,713	**$ 355**	**$ 3,068**	**$ 2,575**	**$ 408**	**$ 2,983**	**$ 2,000**	**$ 300**	**$ 2,300**
$ 46	$ 2	$ 48	$ 41	$ 3	$ 44	$ 44	$ 6	$ 50
36	7	43	29	1	30	9	1	10
25	2	27	16	1	17	9	2	11
29	5	34	29	2	31	29	3	32
59	-	59	15	-	15	3	-	3
53	4	57	46	3	49	40	4	44
36	5	41	22	1	23	2	1	3
101	14	115	124	11	135	107	10	117
28	5	33	40	23	63	-	-	-
313	92	405	251	68	319	146	48	194
62	7	69	61	4	65	25	3	28
96	15	111	55	4	59	47	5	52
13	4	17	7	2	9	-	-	-
4	1	5	5	2	7	4	1	5
15	2	17	6	-	6	34	1	35
1	-	1	-	-	-	1	-	1
-	-	-	-	-	-	1	1	2
502	235	737	431	271	702	714	232	946
43	3	46	86	10	96	77	7	84
-	-	-	-	-	-	10	1	11
812	42	854	821	70	891	728	61	789
60	3	63	32	4	36	22	3	25
235	3	238	243	4	247	-	-	-
$ 2,569	**$ 451**	**$ 3,020**	**$ 2,360**	**$ 484**	**$ 2,844**	**$ 2,052**	**$ 390**	**$ 2,442**
$ 9,219	**$ 1,599**	**$ 10,818**	**$ 8,470**	**$ 1,512**	**$ 9,982**	**$ 7,401**	**$ 1,299**	**$ 8,700**

Investment in Research and Development

The Department's research and development programs are classified as Basic Research, Applied Research, and Development. Research and Development (R&D) program offices facilitate the creation, advancement, and deployment of the new technologies and support the Department's mission to ensure America's security and prosperity by addressing its energy, environmental, and nuclear challenges through transformative science and technology solutions. (Examples of R&D investments are discussed in the section on "Strategic Plan and Program Performance.")

Goal 1: Transform Our Energy Systems

(Basic, Applied, and Development)

The Office of Energy Efficiency and Renewable Energy (EERE) invests in high-value research and development, as well as demonstration and deployment support activities that would not be sufficiently conducted by the private sector. EERE works with public and private sector decision makers, partners, and other stakeholders to develop programs and policies to facilitate the advancement of clean energy technologies and practices. For energy efficiency, EERE supports mechanisms such as appliance efficiency standards, model building codes, federal fleet initiatives, energy education activities, and financial assistance grants. Program activities include: Hydrogen & Fuel Cell Technologies, Biomass & Biorefinery Systems R&D, Solar Energy, Wind Energy, Geothermal Technologies, Water Power, Vehicle Technologies, Building Technologies, Advanced Manufacturing, Federal Energy Management Program, and Weatherization and Intergovernmental Activities.

As an example, the EERE Building Technologies program connects basic and applied sciences by developing the next generation of highly efficient technologies and practices for both residential and commercial buildings through Emerging Technologies R&D activities. Similarly, the EERE Advanced Manufacturing program connects basic and applied sciences by bringing together industry, the national laboratories, and academia to: transition scientific innovations into manufacturing capabilities, develop cutting-edge foundational manufacturing technologies relevant to industry, advance broadly applicable manufacturing processes that use energy efficiently, and drive a corporate culture of continuous improvement to reduce energy use in the manufacturing sector. It also integrates national laboratory, university, and industry activities by competitively awarding cost-shared funding to collaborative research teams that rely on industry's active participation to ensure that the technologies meet real-world criteria, thus accelerating technology commercialization.

The Advanced Research Projects Agency-Energy (ARPA-E) is a catalyst for innovation. This agency invests in high-potential, high-impact energy technologies that could radically transform the U.S. energy landscape and create new options for the nation's energy future. ARPA-E awardees are unique because they are creating entirely new ways to generate, store, and use energy. ARPA-E seeks multiple approaches to energy challenges and selects projects for both focused program areas and open funding opportunities. The agency's streamlined awards process allows for agility, focus, and impact. ARPA-E focuses only on innovative projects that can make a big impact with a small amount of funding over a finite period of time. Term-limited program directors and technology-to-market advisors provide projects with hands-on support to help them meet specific technical and market milestones. ARPA-E's goal is to develop a funded project to the point where private or public partners commit to advancing it to the next step.

The Office of Fossil Energy (FE) enhances U.S. economic and energy security by managing and performing energy-related research that maximizes the efficient and environmentally sound production and use of fossil fuels; supporting the development of policy options that benefit the U.S. public by ensuring access to adequate supplies of affordable and clean energy; partnering with industry and others to advance clean and efficient fossil energy; maintaining strategic crude and heating oil supplies to protect the United States against sudden and major supply interruptions and shortages; and maximizing the value of certain government-owned oil and gas fields.

Relative to the nation's coal resources, FE plays a leadership role in the development of clean coal technologies with a focus on carbon capture and storage (CCS). CCS is designed to enhance our energy security and reduce environmental concerns over the future use of coal by developing a portfolio of revolutionary technologies. The program, in partnership with the private sector, is focused on maximizing efficiency and environmental performance, while minimizing the costs of emerging technologies by pursuing two key strategies: (1) the capture and storage of carbon dioxide-- a potent greenhouse gas--including improving overall economics where possible by utilizing carbon dioxide in applications such as enhanced oil recovery, and (2) the improvement of the efficiency of fossil energy systems. Past FE research in hydraulic fracturing and horizontal drilling facilitated the current shale gas boom that is benefiting the nation. Current research efforts focused on natural gas hydrates could potentially unlock vast quantities of natural gas that could benefit the nation for hundreds of years. Building off the early technological successes for producing shale gas, the program is now focusing on evaluating and mitigating environmental concerns with the production of shale gas resources. Offshore, research on Ultra-Deepwater emphasizes improved understanding of systems risk, reducing risk through the acquisition of real-time information, and development of advanced technologies.

The primary mission of the Office of Nuclear Energy (NE) is to advance nuclear power as a resource capable of making contributions in meeting our nation's energy supply, environmental, and energy security needs. We seek to resolve technical, cost, safety, security, and regulatory issues through research, development, and demonstration. By focusing on the research and development (R&D) of advanced nuclear technologies, NE supports the administration's goals of providing domestic sources of secure energy, reducing greenhouse gases, and enhancing national security. NE organizes its R&D activities along four main objectives that address challenges to expanding the use of nuclear power: (1) develop technologies and other solutions that can improve the reliability, sustain the safety, and extend the life of current reactors; (2) develop improvements in the affordability of new reactors to enable nuclear energy to help meet the administration's energy security and climate change goals; (3) develop sustainable nuclear fuel cycles; and (4) understanding and minimization of risks of nuclear proliferation and terrorism.

The Office of Electricity Delivery and Energy Reliability research and development initiatives focus on developing the next generation of innovative technologies to improve the reliability, efficiency, flexibility, and security of the nation's electricity grid. Transmission reliability research advances technologies that can provide unprecedented information on transmission system health, enhancing system reliability and reducing the frequency and duration of operational disturbances. Advanced modeling research develops the computational tools and algorithms for real-time understanding of grid conditions. Research on energy storage technologies can reduce peak prices of electricity and increase asset utilization as well as improve accessibility to a variety of energy generation sources. Cyber security for energy delivery systems research is advancing resilient energy delivery systems that are designed, installed, operated and maintained to survive a cyber event while sustaining critical functions. Smart grid research is aimed at the distribution level of the grid, with a goal of self-healing from grid disturbances, improving reliability, and improved integration for greater system efficiency while enabling greater consumer participation in managing their energy use.

A Technology Innovation office within the Bonneville Power Administration (BPA) is used to focus and manage technology initiatives, as well as to help guide the development of a robust research and development portfolio, drawing from staff that are already engaged in BPA's dispersed research and development work. Current projects fall under categories of energy efficiency and interactability, renewable resource/wind integration, and transmission operations and control. An example is the Development and Demonstration of Advanced Lighting Technologies project, where the objective is to demonstrate the applicability of advanced, high-efficiency lighting technologies that can be controlled through energy management systems, lighting based control systems, and/or demand response control systems that utilize Internet protocol based remote control and command to allow the reduction of lighting loads.

Goal 2: The Science and Engineering Enterprise

(Basic)

The Office of Science supports research activities in the following areas: Advanced Scientific Computing Research relevant to the complex challenges faced by the Department and providing world class supercomputer and networking facilities for scientists; Basic Energy Sciences, including work in the natural sciences that emphasizes fundamental research in materials physics, chemistry, geosciences, and physical biosciences; Biological and Environmental Research, which provides foundational science for alternative fuels, advanced climate predictions, terrestrial carbon sequestration, subsurface bio-geo-processes, and radiobiology at a range of scales from individual molecules to the whole Earth; Fusion Energy Sciences, including broad-based fundamental research efforts aimed at producing the knowledge needed to develop a fusion energy source, and to be among the world leaders in plasma physics and high energy density physics research; High Energy Physics activities directed at understanding the nature of matter and energy; Nuclear Physics activities directed at understanding the fundamental forces and particles of nature as manifested in nuclear matter; and Small Business Innovation Research/Technology Transfer support for energy related technologies.

Additionally, Science supports the operation of a geographically diverse suite of major facilities that provide thousands of researchers from universities, industry, and government laboratories unique tools to advance a wide range of sciences. These user facilities are operated on an open access, competitive merit review, basis, enabling scientists from every state and of many disciplines from academia, national laboratories, and industry to utilize the facilities' unique capabilities and sophisticated instrumentation.

Goal 3: Secure Our Nation

(Basic, Applied, and Development)

Although critical to the U.S. nuclear deterrent strategy, the nation has not deployed a new nuclear weapon in over 20 years, nor conducted an underground nuclear test since 1992. Instead, scientists at the National Nuclear Security Administration (NNSA) maintain the warheads in the stockpile well beyond their originally intended life by using sophisticated supercomputers, facilities, and computer codes that test and predict the safety, security, and reliability of U.S. weapons in NNSA laboratories.

The NNSA Defense Nuclear Nonproliferation, Research and Development (DNN R&D) program drives the innovation of unilateral and multi-lateral technical capabilities to detect, identify, and characterize foreign: 1) nuclear weapons programs, 2) movement and diversion of special nuclear materials, and 3) nuclear detonations. To meet national and departmental nuclear security requirements, DNN R&D leverages the unique facilities and scientific skills of the NNSA Nuclear Security Enterprise, other DOE national laboratories, academia, and industry to improve U.S. and international detection and characterization of foreign nuclear weapons program activities and to develop capabilities to meet U.S. nuclear treaty verification and detonation detection requirements and other U.S. government nuclear security requirements.

The NNSA Naval Reactors program's research and development efforts support new reactor plant development, new technologies for future fleet application, and continued, reliable operation of the nuclear fleet.

The Office of Environmental Management maintains a Technology Development and Deployment program. The overall goal of this program is to eliminate technical barriers to cleanup by reducing technical uncertainty, improving safety performance by applying improved or new technologies, increasing confidence in achieving long-term cleanup goals, addressing emerging issues, and leveraging investments in scientific research conducted by other parts of the Department.

Required Supplementary Information (RSI)

UNAUDITED – See accompanying Auditors' Report

This section of the report provides required supplementary information for the Department on deferred maintenance and budgetary resources by major budget account.

Deferred Maintenance

Deferred maintenance information is a requirement under SFFAS No.6, Accounting for Property, Plant and Equipment, and SFFAS No. 14, Amendments to Deferred Maintenance, which requires deferred maintenance to be disclosed as of the end of each FY. Deferred maintenance is defined in SFFAS No. 6 as "maintenance that was not performed when it should have been or was scheduled to be and which, therefore, is put off or delayed for a future period." Estimates were developed for:

(Millions)	
Buildings and Other Structures and Facilities	$4,891
Capital Equipment	124
Total	$5,015

Buildings and Other Structures and Facilities

The condition assessment survey (periodic inspections) method was used in measuring a deferred maintenance estimate for buildings and other structures and facilities except for some structures and facilities where a physical barrier was present (e.g., underground pipe systems). In those cases, where a deficiency is identified during normal operations and correction of the deficiency is past due, a deferred maintenance estimate would be applicable. Also, where appropriate, results from previous condition assessments have been adjusted to estimate current plant conditions. Deferred maintenance for excess property was reported only in situations where maintenance is needed for worker and public health and safety concerns.

The Department determines deferred maintenance and acceptable operating condition through various methods, including periodic condition assessments, physical inspections, review of work orders, manufacturer and engineering specification, and other methods.

As of September 30, 2013, an amount of $4,891 million of deferred maintenance was estimated to be required to return the facilities to acceptable operating condition. The percentage of active buildings above acceptable operating condition is estimated at 62 percent.

Capital Equipment

Pursuant to the cost/benefit considerations provided in SFFAS No. 6, the Department has determined that the requirements for deferred maintenance reporting on personal property (capital equipment) are not applicable to property items with an acquisition cost of less than $100,000, except in situations where maintenance is needed to address worker and public health and safety concerns.

Various methods were used for measuring deferred maintenance and determining acceptable operating condition for the Department's capital equipment including periodic condition assessments, physical inspections, review of work orders, manufacturer and engineering specification, and other methods, as appropriate.

An amount of $124 million of deferred maintenance was estimated to be needed as of September 30, 2013, to return capital equipment assets to acceptable operating condition.

Budgetary Resources by Major Account for Recovery Act (RA) & Non-Recovery Act Accounts
For the Year Ended September 30, 2013

($ IN MILLIONS)	Recovery Act Accounts				
	Innovative Tech LG, RA 019-20-0208	Fossil Energy R&D, RA 019-20-0213	Science, RA 019-20-0222	Departmental Admin, RA 019-60-0228	Defense Environ Cleanup, RA 019-10-0251
BUDGETARY RESOURCES:					
Unobligated Balance, Brought Forward, Oct 1	$ 568	$ 153	$ 1	$ -	$ 2
Recoveries of Prior Year Unpaid Obligations	351	61	-	-	-
Other Changes in Unobligated Balance	-	-	-	-	-
Budget Authority	(472)	-	-	-	-
Total Budgetary Resources	$ 447	$ 214	$ 1	$ -	$ 2
STATUS OF BUDGETARY RESOURCES:					
Obligations Incurred	$ 5	$ -	$ -	$ -	$ -
Unobligated Balances Available	235	-	-	-	-
Unobligated Balances not Available	207	214	1	-	2
Total Status of Budgetary Resources	$ 447	$ 214	$ 1	$ -	$ 2
CHANGE IN OBLIGATED BALANCE:					
Obligated Balance, Brought Forward, Oct 1	$ 962	$ 2,458	$ 234	$ 19	$ 76
Obligations Incurred	5	-	-	-	-
Less: Gross Outlays	(378)	(390)	(138)	(13)	(67)
Obligated Balance Transferred, Net	-	-	-	-	-
Less: Recoveries of PY Obligations, Actual	(351)	(61)	-	-	-
Change in Uncollected Customer Payments, Federal	-	-	-	-	-
Obligated Balance, Net, End of Period	$ 238	$ 2,007	$ 96	$ 6	$ 9
NET OUTLAYS	$ 378	$ 390	$ 138	$ 13	$ 67

	Non-Def Environ Cleanup, RA 019-20-0315	Electric Deliv & Engy Reliab, RA 019-20-0318	Energy Efficiency & Renewable Energy, RA 019-20-0321	Adv Tech Vehicles Manufact LP, RA 019-20-0322	Energy Transform Accel Fund, RA 019-20-0336
BUDGETARY RESOURCES:					
Unobligated Balance, Brought Forward, Oct 1	$ -	$ 9	$ 95	$ -	$ 7
Recoveries of Prior Year Unpaid Obligations	1	35	38	-	-
Other Changes in Unobligated Balance	-	-	-	-	-
Budget Authority	-	-	-	-	-
Total Budgetary Resources	$ 1	$ 44	$ 133	$ -	$ 7
STATUS OF BUDGETARY RESOURCES:					
Obligations Incurred	$ -	$ -	$ -	$ -	$ -
Unobligated Balances Available	-	-	-	-	-
Unobligated Balances not Available	1	44	133	-	7
Total Status of Budgetary Resources	$ 1	$ 44	$ 133	$ -	$ 7
CHANGE IN OBLIGATED BALANCE:					
Obligated Balance, Brought Forward, Oct 1	$ 17	$ 1,359	$ 2,417	$ 1	$ 99
Obligations Incurred	-	-	-	-	-
Less: Gross Outlays	(14)	(782)	(1,248)	(1)	(67)
Obligated Balance Transferred, Net	-	-	-	-	-
Less: Recoveries of PY Obligations, Actual	(1)	(35)	(38)	-	-
Change in Uncollected Customer Payments, Federal	-	-	-	-	-
Obligated Balance, Net, End of Period	$ 2	$ 542	$ 1,131	$ -	$ 32
NET OUTLAYS	$ 14	$ 782	$ 1,248	$ 1	$ 67

	Bonneville Power Administration Fund, RA 019-50-4045	Other Recovery Act Accounts	Innovative Tech Direct Loan Fin Acct, RA Non-Budgetary 019-20-4455	T17 Innovative Tech Guar Loan Fin Acct, RA Non-Budgetary 019-20-4577	Subtotal of Recovery Act Accounts
BUDGETARY RESOURCES:					
Unobligated Balance, Brought Forward, Oct 1	$ -	$ 168	$ 1,774	$ 442	$ 3,219
Recoveries of Prior Year Unpaid Obligations	-	1	537	-	1,024
Other Changes in Unobligated Balance	-	(152)	(714)	-	(866)
Budget Authority	1,333	(1,342)	117	(199)	(563)
Total Budgetary Resources	$ 1,333	$ (1,325)	$ 1,714	$ 243	$ 2,814
STATUS OF BUDGETARY RESOURCES:					
Obligations Incurred	$ 1,333	$ (1,334)	$ 363	$ 6	$ 373
Unobligated Balances Available	-	(20)	15	5	235
Unobligated Balances not Available	-	28	1,337	232	2,206
Total Status of Budgetary Resources	$ 1,333	$ (1,326)	$ 1,715	$ 243	$ 2,814
CHANGE IN OBLIGATED BALANCE:					
Obligated Balance, Brought Forward, Oct 1	$ -	$ 202	$ 3,981	$ (281)	$ 11,544
Obligations Incurred	1,333	(1,334)	363	6	373
Less: Gross Outlays	(1,333)	1,230	(3,288)	(6)	(6,495)
Obligated Balance Transferred, Net	-	-	-	-	-
Less: Recoveries of PY Obligations, Actual	-	(1)	(537)	-	(1,024)
Change in Uncollected Customer Payments, Federal	-	-	511	213	724
Obligated Balance, Net, End of Period	$ -	$ 97	$ 1,030	$ (68)	$ 5,122
NET OUTLAYS	$ 1,333	$ (1,229)	$ 2,647	$ (8)	$ 5,841

Non-Recovery Act Accounts				
Science 019-20-0222	SPR Petroleum Account 019-20-0233	Weapons Activities 019-05-0240	Defense Environ Cleanup 019-10-0251	Defense Nuclear Nonproliferation 019-05-0309
$ 41	$ 2,743	$ 210	$ 79	$ 62
23	-	43	26	34
1	-	(4)	-	-
5,261	-	9,894	4,691	2,237
$ 5,326	$ 2,743	$ 10,143	$ 4,796	$ 2,333
$ 5,295	$ -	$ 9,919	$ 4,702	$ 2,087
27	2,743	221	30	217
4	-	3	64	29
$ 5,326	$ 2,743	$ 10,143	$ 4,796	$ 2,333
$ 3,860	$ 19	$ 2,972	$ 1,816	$ 1,829
5,295	-	9,919	4,702	2,087
(5,578)	(1)	(8,858)	(4,679)	(2,228)
-	-	-	-	-
(23)	-	(43)	(26)	(34)
16	-	(1,118)	-	-
$ 3,570	$ 18	$ 2,872	$ 1,813	$ 1,654
$ 4,983	$ 1	$ 7,053	$ 4,607	$ 2,224
Naval Reactors 019-05-0314	Nuclear Energy 019-20-0319	Energy Efficiency & Renewable Energy 019-20-0321	Adv Tech Vehicles Manufact LP 019-20-0322	Bonneville Power Administration Fund 019-50-4045
$ 15	$ 92	$ 335	$ 4,229	$ 9
-	1	61	-	-
-	-	(1)	-	-
995	791	1,852	113	2,894
$ 1,010	$ 884	$ 2,247	$ 4,342	$ 2,903
$ 986	$ 759	$ 2,128	$ 119	$ 2,895
24	125	105	4,223	8
-	-	14	-	-
$ 1,010	$ 884	$ 2,247	$ 4,342	$ 2,903
$ 312	$ 451	$ 2,205	$ 122	$ 2,182
986	759	2,128	119	2,895
(1,018)	(778)	(1,934)	(124)	(2,604)
-	-	-	-	-
-	(1)	(61)	-	-
-	22	24	-	52
$ 280	$ 453	$ 2,362	$ 117	$ 2,525
$ 1,018	$ 676	$ 1,751	$ 124	$ (1,130)
Rehab, Operation & Maintenance, WAPA 019-50-5068	Other Non-Recovery Act Budgetary Accounts	Subtotal of Non-Recovery Act Budgetary Accounts	Adv Tech Vehicles Manufact Direct Loan Fin Acct Non-Budgetary 019-20-4579	Combined Statement of Budgetary Resources Total
$ 370	$ 935	$ 9,120	$ 1,291	$ 13,630
-	48	236	-	1,260
-	4	-	(278)	(1,144)
839	5,621	35,188	514	35,139
$ 1,209	$ 6,608	$ 44,544	$ 1,527	$ 48,885
$ 713	$ 5,672	$ 35,275	$ 1,092	$ 36,740
496	952	9,171	12	9,418
-	(16)	98	423	2,727
$ 1,209	$ 6,608	$ 44,544	$ 1,527	$ 48,885
$ 270	$ 2,773	$ 18,811	$ 1,185	$ 31,540
713	5,672	35,275	1,092	36,740
(711)	(6,553)	(35,066)	(1,278)	(42,839)
-	-	-	-	-
-	(48)	(236)	-	(1,260)
(2)	1,108	102	6	832
$ 270	$ 2,952	$ 18,886	$ 1,005	$ 25,013
$ (35)	$ 192	$ 21,464	$ (116)	$ 27,189

Auditors' Report

Memorandum from the Inspector General

Department of Energy
Washington, DC 20585

December 12, 2013

MEMORANDUM FOR THE SECRETARY

FROM: Gregory H. Friedman
Inspector General

SUBJECT: INFORMATION: Audit Report on the "Department of Energy's Fiscal Year 2013 Consolidated Financial Statements"

Pursuant to requirements established by the *Government Management Reform Act of 1994*, the Office of Inspector General engaged the independent public accounting firm of KPMG, LLP (KPMG) to perform the audit of the Department of Energy's Fiscal Year 2013 Consolidated Financial Statements.

KPMG audited the consolidated financial statements of the Department as of September 30, 2013 and 2012, and the related consolidated statements of net cost, changes in net position, and custodial activity, and combined statement of budgetary resources for the years then ended. KPMG concluded that these consolidated financial statements are presented fairly, in all material respects, in conformity with United States generally accepted accounting principles and has issued an unmodified opinion based on its audits and the reports of other auditors for the years ended September 30, 2013 and 2012.

As part of this review, auditors also considered the Department's internal controls over financial reporting and tested for compliance with certain provisions of laws, regulations, contracts and grant agreements that could have a direct and material effect on the consolidated financial statements. The audit revealed certain deficiencies in internal control related to unclassified network and information systems security that were considered to be a significant deficiency. The following significant deficiency in the Department's system of internal controls is not considered a material weakness:

- Unclassified Network and Information Systems Security: Network vulnerabilities and weaknesses in access and other security controls in the Department's unclassified computer information systems continue to exist. The Department has taken steps to enhance its unclassified cyber security program, including increasing the high level visibility of cyber related issues, consolidating incident response services and capabilities, and working with programs and sites toward the effective implementation of a risk management approach.

The audit disclosed no instances of noncompliance or other matters that are required to be reported under applicable audit standards and requirements.

KPMG is responsible for the attached auditor's report and the opinions and conclusions expressed therein. The Office of Inspector General is responsible for technical and administrative oversight regarding KPMG's performance under the terms of the contract. Our review was not intended to enable us to express, and accordingly we do not express, an opinion on the Department's financial statements, management's assertions about the effectiveness of its internal control over financial reporting or the Department's compliance with laws and regulations. Our monitoring review disclosed no instances in which KPMG did not comply with applicable auditing standards.

We appreciated the cooperation of Department elements during the review.

Attachment

cc: Deputy Secretary of Energy
Acting Under Secretary for Nuclear Security
Deputy Under Secretary for Management and Performance
Deputy Under Secretary for Science and Energy
Chief of Staff
Deputy Chief Financial Officer

Audit Report: OAS-FS-14-03

http://www.energy.gov//cfo/reports/agency-financial-reports

Independent Auditors' Report

Attachment

KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report

The Inspector General, United States Department of Energy and
The Secretary, United States Department of Energy:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the United States Department of Energy (Department), which comprise the consolidated balance sheets as of September 30, 2013 and 2012, and the related consolidated statements of net cost, changes in net position, and custodial activity, and combined statements of budgetary resources for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 14-02, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 14-02 require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Attachment

Opinion on the Financial Statements

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the United States Department of Energy as of September 30, 2013 and 2012, and its net costs, changes in net position, budgetary resources, and custodial activity for the years then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matters

As discussed in Note 7 to the consolidated financial statements, the Department has total direct loans and loan guarantees, net, of $15 billion and $13 billion as of September 30, 2013 and 2012, respectively, which are issued under the Federal *Credit Reform Act of 1990*. Subsidy costs of the direct loans and loan guarantees are intended to estimate the long-term cost to the U.S. Government of its loan program and include interest rate differentials, delinquencies, defaults, fees, and other cash flow items. A subsidy re-estimate is performed annually at September 30. Any adjustment resulting from the re-estimate is recognized as subsidy expense.

As discussed in Note 15 to the consolidated financial statements, the cost estimates supporting the Department's environmental cleanup and disposal liabilities of $280 billion and $268 billion as of September 30, 2013 and 2012, respectively, are based upon assumptions regarding funding and other future actions and decisions, many of which are beyond the Department's control.

As discussed in Note 18 to the consolidated financial statements, the Department is involved as a defendant in several matters of litigation relating to its inability to accept commercial spent nuclear fuel by January 31, 1998, the date specified in the *Nuclear Waste Policy Act of 1982*, as amended. The Department has recorded liabilities for likely damages of $21 billion and $20 billion as of September 30, 2013 and 2012, respectively.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the information in the Management's Discussion and Analysis, Required Supplementary Information, and Required Supplementary Stewardship Information sections be presented to supplement the basic consolidated financial statements. Such information, although not a part of the basic consolidated financial statements, is required by the Federal Accounting Standards Advisory Board who considers it to be an essential part of financial reporting for placing the basic consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic consolidated financial statements, and other knowledge we obtained during our audits of the basic consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements as a whole. The consolidating information in the Consolidating Schedules section of the Department's 2013 *Agency Financial Report* is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements.

Attachment

The consolidating information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic consolidated financial statements or to the basic consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the basic consolidated financial statements as a whole.

The information in the Message from the Secretary, Message from the Chief Financial Officer, and Other Information section of the Department's 2013 *Agency Financial Report* has not been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Department's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control related to unclassified network and information systems security, described below and in more detail in Exhibit I that we consider to be a significant deficiency.

- *Unclassified network and information systems security* – We noted network vulnerabilities and weaknesses in access and other security controls in the Department's unclassified computer information systems. The identified weaknesses and vulnerabilities increase the risk that malicious destruction or alteration of data or unauthorized processing could occur. The Department should fully implement policies and procedures to improve its network and information systems security.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a

direct and material effect on the determination of financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 14-02. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests of compliance disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 14-02.

We also performed tests of its compliance with certain provisions referred to in Section 803(a) of the *Federal Financial Management Improvement Act of 1996* (FFMIA). Providing an opinion on compliance with FFMIA was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests of FFMIA disclosed no instances in which the Department's financial management systems did not substantially comply with the (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Government Standard General Ledger at the transaction level.

Department's Response to Findings

The Department's response to the finding identified in our audit is presented in Exhibit I. The Department's response was not subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on the response.

***Purpose of the Other Reporting Required by* Government Auditing Standards**

The purpose of the communication described in the Other Reporting Required by *Government Auditing Standards* section is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Department's internal control or compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

December 10, 2013

Attachment

Independent Auditors' Report
Exhibit I – Significant Deficiency

Unclassified Network and Information Systems Security
(Finding numbers reported in separate management letter)

The United States Department of Energy (the Department or DOE) uses a series of interconnected unclassified networks and information systems. Federal and Departmental directives require the establishment and maintenance of security over unclassified information systems, including financial management systems. Past audits identified significant weaknesses in selected systems and devices attached to the computer networks at some Department sites. The Department has implemented corrective actions to address many of the identified weaknesses at the sites whose security controls we, and the Department's Office of Health, Safety and Security, reviewed in prior years. However, at the time of our testing, corrective actions had not been fully completed. The frequency of network security weaknesses reported by KPMG has decreased when compared to the prior year weaknesses, but the number of weaknesses related to access control deficiencies in general information technology controls has increased since fiscal year (FY) 2012. The severity of these weaknesses remains consistent with prior year weaknesses. The Department recognizes the need to enhance its unclassified cybersecurity program and elevated unclassified cybersecurity to a material weakness in its *Federal Managers' Financial Integrity Act* assurance statement for FY 2013. Although the material weakness is not specific to financial systems, improvements are still needed in the areas of system and application access and related access privileges, password management, restriction of network services, configuration and vulnerability management, and system integrity.

Our FY 2013 audit disclosed information system security deficiencies similar in type and risk level to our findings in prior years. We identified similar weaknesses at sites where we had not reviewed security controls in the prior year. Specifically, we noted significant weaknesses and associated vulnerabilities for network servers and devices, desktop systems and business applications. We identified multiple instances of easily guessed login credentials or unrestricted access controls on network systems that could permit unauthorized access to those systems and their data. We also identified weak remote access controls in which multi-factor authentication had not been implemented for privileged users and access to sensitive information, such as personally identifiable information. In the area of account management and monitoring controls, when compared to weaknesses identified in our prior year's audit, we noted an increase in the frequency of weaknesses related to review, approval, provisioning and termination of administrative and user accounts that may increase the risk of malicious or unauthorized access to systems and data.

We identified deficiencies in configuration and vulnerability management on network server and desktop systems. Specifically, configuration and vulnerability management processes, including automated security update and patch management applications and other technical controls, were not fully implemented to identify, monitor and remediate system vulnerabilities. We found numerous instances in which critical security patches had not been applied in a timely manner to correct known vulnerabilities more than 30 days after the patches became available. We identified multiple server systems running operating system versions that were no longer supported by the vendor. We also noted that one site had not developed minimum security configuration policies and requirements for all systems. The affected systems included servers providing core network services and workstations used by financial application users and system administrators with privileged levels of access to financial applications and other network systems.

Attachment

We also identified numerous weaknesses related to web application integrity as a result of design flaws in those applications. We identified web applications supporting financial processes that accepted insecure user authentication information or did not properly validate the form or content of input data against an application's database, which could result in unauthorized access to application functionality, sensitive data stored in the applications, and other network systems and applications.

While many of these weaknesses were corrected immediately after we identified and reported them to site management, deficiencies in cybersecurity processes and procedures have continued from prior years. We noted that multiple sites were continuing to develop and implement site-level Implementation Plans in accordance with the Department's Risk Management Approach to address cybersecurity weaknesses. However, these risk management enhancements were incomplete at the time of our testing. We also found that risk-based decisions, including evaluation and acceptance of risk, were not adequately documented at several sites to address residual risk, business justification, and mitigations.

The Department's Office of Inspector General (OIG) reported on these deficiencies in its evaluation report on *The Department's Unclassified Cyber Security Program - 2013*, dated October 2013. The OIG noted that the identified weaknesses occurred, in part, because Departmental entities had not ensured that policies and procedures were fully developed and implemented to meet all necessary cybersecurity requirements. The OIG reported that the Department continued to operate a less than fully effective performance monitoring and risk management program. The OIG noted that, contrary to Federal requirements, the Department's Plans of Action and Milestones were not always effectively used as a monitoring tool to report, prioritize and track cybersecurity weaknesses. The OIG also reported deficiencies in vulnerability and patch management at numerous sites in which vulnerable operating systems and applications were missing security updates and /or patches. The OIG further reported that weaknesses of this type directly contributed to the recent security breach of a Headquarters system containing significant amounts of personally identifiable information.

The identified vulnerabilities and control weaknesses in unclassified network and information systems increase the possibility that malicious destruction or alteration of data or unauthorized processing could occur. Because of our concerns, we performed supplemental procedures and identified compensating controls that mitigate the potential effect of these security weaknesses on the integrity, confidentiality and availability of data in the Department's financial applications.

During FY 2013, the Department had taken steps to enhance its unclassified cybersecurity program. To increase high-level visibility of cyber-related issues, a senior leadership council chaired by the Secretary of Energy was recently established. Additionally, the Department continues to consolidate incident response services and capabilities under the Joint Cybersecurity Coordination Center (JC3) and work with programs and sites towards effective implementation of a risk management approach.

Recommendation:

While progress has been made, continued efforts are needed to effectively manage the evolving nature of cybersecurity threats, including strengthening the management review process and monitoring of field sites to improve cybersecurity program performance; fully implementing revised and ongoing risk management processes; and expanding the use of automated tools in the resolution of the vulnerabilities and control weaknesses described above to properly configure, implement and update systems throughout the lifetime of those systems.

Therefore, we recommend that the Under Secretary for Nuclear Security, Under Secretary for Science and Energy, and Under Secretary for Management and Performance, in coordination with the Department and National Nuclear Security Administration Chief Information Officers, fully implement policies and

Attachment

procedures to meet the Federal cybersecurity standards, that networks and information systems are adequately protected against unauthorized access, and that an adequate performance monitoring program is implemented, such as the use of periodic evaluations by Headquarters management, to improve the effectiveness of sites' cybersecurity program implementation. Detailed recommendations to address the issues discussed above have been separately reported to the cognizant management officials.

Management's Response:

The Department of Energy's Chief Information Officer (CIO) appreciates the opportunity to comment and the OIG's recognition of the Department's continued progress in addressing weaknesses and enhancing its unclassified cybersecurity program.

The Department continues its commitment to the protection of its information and information systems through a strong comprehensive Cybersecurity Program. Under the newly established Cyber Council chaired by Secretary Moniz and Deputy Secretary Poneman, activities are continuing to progress in effective risk-managed cybersecurity through maturing the Departmental Risk Management Framework (RMF). The information in this report will be brought forward to the Cyber Council for action and determination for path forward. In addition, the Under Secretaries, the Department CIO, NNSA CIO, and Program Support Offices will take appropriate follow-up action on specific findings, as well as to continue to work in the most effective way to improve the Department's cybersecurity posture.

The following efforts continue momentum in support of improving the Department's risk-managed cybersecurity posture through Federal mandated requirements.

- **Cybersecurity Cross-Agency Priority (CAP) Goals.** The Department is focusing on improving the cybersecurity posture through the use of three Cross Agency Priorities (CAP) goal programs: Trusted Internet Connection (TIC), Personal Identification Verification (PIV) Card Usage and Continuous Monitoring (CM). Scorecards are kept for each departmental element as well as the Department as a whole. The Department is actively participating in the Department of Homeland Security (DHS) Continuous Diagnostics and Mitigation (CDM) Program and plans to expand the program during FY 2014 within DOE.

- **Information Sharing and Safeguarding (IS&S).** In a memorandum dated August 23, 2013, Secretary Moniz designated the Chief Information Officer (CIO) as the Department of Energy (DOE) Senior Agency Official (SAO) for Information Sharing and Safeguarding, thereby implementing Executive Order (E.O.) 13587, "Structural Reforms to Improve the Security of Classified Networks and the Responsible Sharing and Safeguarding of Classified Information." The Department has established an Information Sharing and Safeguarding Governance Board, chaired by the SAO, as well as a Secretary-designated Senior Insider Threat Officer who will lead efforts in new policy and programs.

- **Joint Cybersecurity Coordination Center (JC3).** Deputy Secretary Poneman signed the Memorandum for Heads of Departmental Elements on July 31, 2013, Subject: Cybersecurity Incident Management Improvements and the Joint Cybersecurity Coordination Center (JC3). This memorandum directs the consolidation of enterprise cybersecurity monitoring, information sharing, reporting, and federal enterprise incident response activities to the JC3 under the Office of the CIO. This will enhance the Department's ability to better manage future cyber security events, in a much more comprehensive manner.

Attachment

In FY2014 the JC3 will expand enterprise incident response and management through the addition of personnel, tools, and the formalization of processes and metrics. Additionally, the program will increase enterprise monitoring, information collection, and advanced analytics as well as offering additional cybersecurity tools and services to customers Department wide. Based on recommendations from the Office of the CIO, the DOE Cyber Council is considering expansion of JC3 services like: the Cyber Federated Model (CFM) to increase cybersecurity information sharing; the Cooperative Protection Program (CPP) to increase situational awareness; and the DOE Enhanced Cybersecurity Services (DEX) to protect more sites with Intelligence Community informed filters and signatures.

Other Information

A new report for the White House Council of Economic Advisers and DOE evaluated the cost of power outages and calls for increased cross-sector investment to make the electric grid more resilient in the face of increasingly severe weather events due to climate change.

Combining Schedules of Spending

For the Years Ended September 30, 2013 and 2012

($ IN MILLIONS)	FEDERAL ENERGY REGULATORY COMMISSION	POWER MARKETING ADMINISTRATIONS	ALL OTHER DOE PROGRAMS	COMBINED	FEDERAL ENERGY REGULATORY COMMISSION	POWER MARKETING ADMINISTRATIONS	ALL OTHER DOE PROGRAMS	COMBINED
	FY 2013				FY 2012			
WHAT MONEY IS AVAILABLE TO SPEND?								
Total Resources	$ 314	$ 6,027	$ 42,544	$ 48,885	$ 329	$ 5,390	$ 45,573	$ 51,292
Less Amount Available but Not Agreed to be Spent	(21)	(715)	(8,682)	(9,418)	(21)	(585)	(9,014)	(9,620)
Less Amount Not Available to be Spent	-	(1)	(2,726)	(2,727)	-	(166)	(3,844)	(4,010)
Total Amounts Agreed to be Spent (Notes 26 & 27)	$ 293	$ 5,311	$ 31,136	$ 36,740	$ 308	$ 4,639	$ 32,715	$ 37,662
HOW WAS THE MONEY SPENT/ISSUED?								
Personnel Compensation								
Contracts	$ -	$ -	$ 4	$ 4	$ -	$ -	$ 4	$ 4
Non-Financial Assistance Direct Payments	164	571	1,062	1,797	167	573	1,095	1,835
Other Payment Types	-	-	5	5	-	-	2	2
Total Personnel Compensation	$ 164	$ 571	$ 1,071	$ 1,806	$ 167	$ 573	$ 1,101	$ 1,841
Personnel Benefits								
Contracts	$ -	$ -	$ 2	$ 2	$ -	$ -	$ 2	$ 2
Non-Financial Assistance Direct Payments	47	176	304	527	45	172	303	520
Total Personnel Benefits	$ 47	$ 176	$ 306	$ 529	$ 45	$ 172	$ 305	$ 522
Travel and Transportation of Persons								
Contracts	$ -	$ -	$ 3	$ 3	$ -	$ -	$ 1	$ 1
Non-Financial Assistance Direct Payments	3	29	40	72	4	31	52	87
Total Travel and Transportation of Persons	$ 3	$ 29	$ 43	$ 75	$ 4	$ 31	$ 53	$ 88
Rent, Communications and Utilities								
Contracts	$ 26	$ 66	$ 327	$ 419	$ 25	$ 68	$ 222	$ 315
Non-Financial Assistance Direct Payments	-	1	5	6	-	1	-	1
Other Payment Types	-	-	1	1	-	-	15	15
Total Rent, Communications and Utilities	$ 26	$ 67	$ 333	$ 426	$ 25	$ 69	$ 237	$ 331
Other Contractual Services								
Contracts	$ 43	$ 3,387	$ 22,586	$ 26,016	$ 53	$ 2,659	$ 23,620	$ 26,332
Financial Assistance Direct Payments	-	-	1,031	1,031	-	-	1,031	1,031
Grants	-	-	23	23	-	-	47	47
Non-Financial Assistance Direct Payments	-	45	5	50	-	48	11	59
Other Payment Types	-	-	5	5	-	-	-	-
Total Other Contractual Services	$ 43	$ 3,432	$ 23,650	$ 27,125	$ 53	$ 2,707	$ 24,709	$ 27,469
Equipment								
Contracts	$ 2	$ 174	$ 501	$ 677	$ 6	$ 195	$ 446	$ 647
Financial Assistance Direct Payments	-	-	-	-	-	-	1	1
Non-Financial Assistance Direct Payments	-	-	1	1	-	1	-	1
Other Payment Types	-	-	7	7	-	-	8	8
Total Equipment	$ 2	$ 174	$ 509	$ 685	$ 6	$ 196	$ 455	$ 657
Land and Structures								
Contracts	$ -	$ 409	$ 1,908	$ 2,317	$ -	$ 495	$ 2,292	$ 2,787
Loans								
Contracts	-	-	-	-	-	-	25	25
Grants	-	-	-	-	-	-	(25)	(25)
Total Loans	-	-	-	-	-	-	-	-
Grants, Subsidies and Contributions								
Contracts	$ 3	$ -	$ 42	$ 45	$ -	$ -	$ 8	$ 8
Grants	-	65	1,138	1,203	-	54	1,103	1,157
Loans	-	-	9	9	-	-	-	-
Non-Financial Assistance Direct Payments	-	-	13	13	3	-	13	16
Other Financial Assistance	-	-	447	447	-	-	267	267
Reestimate	-	-	1,153	1,153	-	-	1,579	1,579
Other Payment Types	-	-	1	1	-	-	6	6
Total Grants, Subsidies and Contributions	$ 3	$ 65	$ 2,803	$ 2,871	$ 3	$ 54	$ 2,976	$ 3,033
Interest								
Interest and Dividends	$ -	$ 304	$ 485	$ 789	$ -	$ 269	$ 533	$ 802
All Other								
Contracts	$ 5	$ 84	$ 14	$ 103	$ 4	$ 73	$ 31	$ 108
Non-Financial Assistance Direct Payments	-	-	3	3	1	-	5	6
Other Payment Types	-	-	11	11	-	-	18	18
Total All Other	$ 5	$ 84	$ 28	$ 117	$ 5	$ 73	$ 54	$ 132
Total Amounts Agreed to be Spent (Notes 26 & 27)	$ 293	$ 5,311	$ 31,136	$ 36,740	$ 308	$ 4,639	$ 32,715	$ 37,662

OTHER INFORMATION

The *Combining Schedules of Spending* present an overview of how and where the Department spent its funding. The budgetary information in these schedules is presented on a combined basis and not a consolidated basis.

What Money is Available to Spend summarizes the funds the Department obligated during the fiscal year. *How Was the Money Spent/Issued* summarizes the Department's obligations for the fiscal year, categorized by the OMB Budget Object Class definitions found in Circular A-11, "Preparation, Submission and Execution of the Budget" and by payment types.

The total amount agreed to be spent in both sections is equivalent to the obligations incurred shown on the *Combined Statements of Budgetary Resources*. Similar data are also submitted to USAspending.gov; however the amounts will differ because USAspending.gov excludes certain types of obligations such as reimbursable work, classified amounts, and individual transactions below $25,000.

Inspector General's Management Challenges

On an annual basis, the Office of Inspector General identifies what it considers to be the most significant management challenges facing the Department of Energy. This effort is designed to assess the agency's progress in addressing previously identified challenges and to consider emerging issues. The identified challenges represent risks inherent in the Department's wide ranging and complex operations as well as those related to problems with specific management processes. Consistent with our mission, the overall goal is to focus attention on significant issues with the objective of working with Department managers to enhance the effectiveness of agency programs and operations.

As noted in previous reports, many of the Department's most significant management challenges are not amenable to immediate resolution and must, therefore, be addressed through a concerted effort over time. Based on the results of our body of work over the last year, the management challenge list for FY 2014 remains largely consistent with that of the previous year. These challenges include:

- Operational Efficiency and Cost Savings
- Contract and Financial Assistance Award Management
- Cybersecurity
- Environmental Cleanup
- Human Capital Management
- Nuclear Waste Disposal
- Safeguards and Security
- Stockpile Stewardship

One notable change involves the removal of Energy Supply from the management challenges list. Initially included as a significant management challenge in FY 2007, Energy Supply was defined by the challenges associated with achieving a stable and reliable energy supply system. Although not directly responsible for energy costs or supply, the Department is in a unique position to help ensure that the Nation's energy needs are met through sound energy policy, research and development, and overall leadership. In the wake of Hurricane's Katrina and Rita, the Department's role in ensuring a safe and reliable energy supply in the wake of such a natural disaster was of paramount importance. In addition, with the passage of the Energy Policy Act of 2005, the Department faced the challenge of providing leadership to ensure that the Nation's energy supply was reliable, affordable, and environmentally friendly. While these challenges still exist within the Department, much of the content originally outlined under Energy Supply has been subsumed into existing management challenge or watch list categories such as Nuclear Waste Disposal, Safeguards and Security, Infrastructure Modernization, and the Loan Guarantee Program.

We also develop an annual "watch list" consisting of significant issues that do not meet the threshold of a management challenge, yet, in our view, warrant special attention by Department officials. This year, the watch list includes: Infrastructure Modernization; Loan Guarantee Program; and Worker and Community Safety.

Operational Efficiency and Cost Savings

Beginning in FY 2012, we concluded that the current economic climate and associated Federal budgetary concerns dictated that finding ways to make Departmental operations more efficient and less costly was the preeminent management challenge. In doing so, we suggested a series of operational efficiency and cost reduction ideas for management's consideration. Our intent was to highlight possible ways in which the Department could reduce the overall cost of operations and increase efficiency. Since first outlining Operational Efficiency and Cost Savings, in our view, this challenge has actually intensified. Recent reductions in Federal appropriations, along with the reductions implemented as a result of sequestration, create a number of programmatic as well as personnel challenges for the Department. As a result, we continue to believe that, looking forward, Operational Efficiency and Cost Savings should be a top priority for Department management.

Contract and Financial Assistance Award Management

The largest civilian contracting agency in the Federal government, the Department awards contracts to industrial companies, academic institutions, and non-profit organizations that operate a broad range of Department facilities. In fact, a substantial portion of the Department's operations are carried out through contracts. In a number of instances, our reviews have identified concerns related to project management, particularly large scale contract-based initiatives. In addition to contracting, the Department administers and manages an array of grants and cooperative agreements. Given the number of contracts handled by the Department and the complexity and importance of the Department's numerous multi-million dollar projects, we believe that the area of Contract and Financial Assistance Management remains a significant management challenge.

Cybersecurity

Given the importance and sensitivity of the Department's activities, along with the vast array of data it processes and maintains, cybersecurity has become a crucial aspect of the Department's overall security posture. Although the Department has implemented numerous counter measures in recent years, security challenges and threats to the Department's information systems continue and are constantly evolving. Adversaries routinely attempt to

compromise the information technology assets of the Department. During the past year, major intrusions of the Department's information technology systems, which in one notable instance, resulted in the exfiltration of personally identifiable information on over 100,000 individuals, has highlighted the importance of protecting such systems as well as the difficulty and diligence required to guard against such intrusions. As such, it is critical that cyber security protective measures keep pace with the growing threat. As a result of these inherent risks and the sensitivity of much of the Department's work, we have identified Cybersecurity as a continuing and significant management challenge.

Environmental Cleanup

Since its establishment, the Department has had an important environmental mission. With the end of the Cold War, this mission took on even greater importance as the agency began to dispose of large volumes of radioactive waste resulting from more than 50 years of nuclear defense and energy research work. This effort involves 2 million acres of land located in 35 states and employs more than 30,000 Federal and contractor employees. The disposal and cleanup costs associated with these efforts are projected to be in the hundreds of billions of dollars and will continue well into the foreseeable future. As has been the case in previous years, Environmental Cleanup remains a management challenge that warrants attention on the part of Departmental management.

Human Capital Management

For a number of years, strategic management of human capital has been recognized by various government authorities and oversight organizations as one of the Government's most significant challenges. In the past, officials have recognized that the Department's staff lacked adequate project and contract management skills required to oversee large projects. Subsequently, the Department undertook an effort to perform a critical skills gap analysis to review and evaluate specific critical skill needs. These actions led to our removal, in FY 2009, of the human capital focus area from our management challenges. However, given the aging demographic of the Federal workforce, decreases in Federal employee compensation levels, and overall reductions in appropriations as a result of the current budgetary environment, the Department must address the challenge of maintaining a highly skilled workforce with the technical knowledge to perform its broad and important mission. We continue to believe that this challenge represents a critical area that will affect nearly all major program elements. As a result, human capital management will continue to be a key challenge area that will require considerable attention in the near-term.

Nuclear Waste Disposal

Under the Nuclear Waste Policy Act of 1982, the Department is responsible for the management and safe disposal of high-level defense and commercial waste and spent nuclear fuel. For a number of years, the centerpiece of the Department's efforts relating to the disposal of nuclear waste was the development of the Yucca Mountain Nuclear Waste Repository in Nye County, Nevada. The Department's FY 2010 budget request, however, included no funding for the Yucca Mountain Project, effectively terminating the Office of Civilian Radioactive Waste Management. Since that time, the Blue Ribbon Commission on America's Nuclear Future issued a report at the direction of the President on policies for managing the back end of the nuclear fuel cycle, which includes alternative storage sites. Given the importance of a coherent strategy on nuclear waste disposal that protects public health, safety, and the environment and until a viable solution for disposal and storage is outlined, the area of Nuclear Waste Disposal will be recognized as a significant challenge facing the Department.

Safeguards and Security

With the advancement of the Manhattan Project and the race to develop the atomic bomb during World War II, the origins of the Department are inexorably linked to national security. While the Department has shifted its focus over time as the needs of the Nation have changed, special emphasis on safeguards and security has remained a vital aspect of the Department's mission. The Department plays a vital role in the Nation's security by ensuring the safety of the country's nuclear weapons, advancing nuclear non-proliferation, and providing safe and efficient nuclear power plants for the United States Navy. In order to faithfully execute its mission, the Department employs numerous security personnel, protects various classified materials and other sensitive property, and develops policies designed to safeguard national security and other critical assets. Last year, Safeguards and Security was elevated to the management challenges list primarily as a result of events at the Y-12 National Security Complex, which highlighted the need for a robust security apparatus with effective Federal oversight. Given the policy issues that have arisen as a result of this intrusion and the importance of ensuring the safe and secure storage of nuclear materials at Department sites, Safeguards and Security remains a significant management challenge.

Stockpile Stewardship

The Department is responsible for the maintenance, certification, and reliability of the Nation's nuclear weapons stockpile. To help ensure that our nuclear weapons continue to serve their essential deterrence role, the Department conducts stockpile surveillance and engineering analyses, refurbishes selected nuclear systems, and sustains the ability to restore the manufacturing infrastructure for the production of replacement weapons. While we recognize that the Department has taken action in recent years to further enhance the safety and reliability of the Nation's nuclear weapons stockpile, sustained efforts will be necessary if the Department is to extend the life of aging warheads and maintain a viable weapon stockpile.

Summary of Financial Statement Audit and Management Assurances

Audit Opinion	Unmodified				
Restatement	No				
Material Weaknesses	**Beginning Balance**	**New**	**Resolved**	**Consolidated**	**Ending Balance**
Total Material Weaknesses	***0***	***0***	***0***	***0***	***0***

Effectiveness of Internal Control over Financial Reporting (FMFIA Section II)						
Statement of Assurance	Unqualified					
Material Weaknesses	**Beginning Balance**	**New**	**Resolved**	**Consolidated**	**Reassessed**	**Ending Balance**
No Material Weaknesses reported						
Total Material Weaknesses	***0***	***0***	***0***	***0***	***0***	***0***
Effectiveness of Internal Control over Operations (FMFIA Section II)						
Statement of Assurance	Qualified					
Material Weaknesses	**Beginning Balance**	**New**	**Resolved**	**Consolidated**	**Reassessed**	**Ending Balance**
Security Breach at the Y-12 National Security Complex	***1***					***1***
Unclassified information system cybersecurity		***1***				***1***
Total Material Weaknesses	***1***	***1***	***0***	***0***	***0***	***2***
Conformance with financial management system requirements (FMFIA Section IV)						
Statement of Assurance	Systems conform to financial management system requirements					
Non-Conformances	**Beginning Balance**	**New**	**Resolved**	**Consolidated**	**Reassessed**	**Ending Balance**
No non-conformances reported						
Total non-conformance	***0***	***0***	***0***	***0***	***0***	***0***

Conformance with Federal Financial Management Improvement Act (FFMIA)		
	Agency	**Auditor**
1. System Requirements	No noncompliance noted	No noncompliance noted
2. Accounting Standards	No noncompliance noted	No noncompliance noted
3. USSGL at Transaction Level	No noncompliance noted	No noncompliance noted

Financial Management Systems Plan

iManage

iManage consists of the Department's enterprise-wide corporate business systems. iManage financial, budgetary, procurement, personnel, program and performance information is supported by a data warehouse that links common data elements from each of the Department's business systems and supports both external and internal reporting. The major system components of iManage are:

- Financial System: Standard Accounting and Reporting System (STARS)
- Personnel System: Corporate Human Resource Information System (CHRIS)
- Procurement System: Strategic Integrated Procurement Enterprise System (STRIPES)
- iManage Data Warehouse (IDW)/iPortal
- iManage also includes travel and payroll processing. Travel processing services are provided by the General Services Administration (GSA) eTravel Services using a system called GovTrip. Payroll processing services are outsourced to the Defense Finance and Accounting Service.

Current Systems

Standard Accounting and Reporting System – STARS is the Department's financial management system that provides budget execution, financial accounting, financial reporting, and performance measurement. STARS integrates with procurement, funds distribution, travel, and human resources systems. In FY 2013, the Department completed the STARS fit gap analysis to support the upgrade to Oracle eBusiness Suite Release 12; prepared integration efforts for GSA's System for Award Management, installed patches, made report modifications, processed changes, performed testing for the upcoming Government-wide Treasury Account Symbol changes; and prepared for the new eTravel system (Concur) interface that was placed into pilot production in mid-September. Future activities planned for STARS include implementation of the Oracle project module, which will provide greater transparency into contract spending.

Corporate Human Resource Information System – CHRIS is the Human Resources (HR) system. The primary objectives for CHRIS are to enhance operational efficiencies, reduce paperwork, eliminate redundant information systems, eliminate non-value added work, and provide strategic information necessary to make informed human resource management decisions.

Strategic Integrated Procurement Enterprise System – STRIPES is the procurement and contracts management system that automates all procurement and contract activities associated with planning, awarding and administering various unclassified acquisition and financial assistance instruments. STRIPES replaced and consolidated federal, regional, and local procurement-related systems across the Department. The STRIPES application connects DOE with the Integrated Acquisition Environment which includes Central Contractor Registration, Federal Procurement Data System – Next Generation (FPDS-NG), Federal Business Opportunities and the Online Representations and Certifications Application, as well as Grants.gov and FedConnect. In addition, STRIPES is integrated with other iManage systems such as STARS and IDW. The STRIPES team developed integrations to the Office of Science Portfolio Analysis and Management System (PAMS) and supported the Office of Acquisition and Project Management efforts to retire their Procurement and Assistance Data System. STRIPES is performing an upgrade to Compusearch PRISM v7.1 which is scheduled to be implemented in June 2014 and will provide enhanced contracting capabilities.

iManage Data Warehouse (IDW) iPortal – IDW is a central data warehouse linking common data elements from multiple DOE/ iManage corporate business applications to provide reporting to DOE executives, managers, and staff. The iPortal provides access to iManage applications, personalized dashboards, messaging, discussion boards, collaboration capabilities, news, reporting, web conferencing, graphing and data exchange capabilities to DOE executives, managers and staff. In FY 2013, the Department completed providing access to all DOE labs. Additionally, STRIPES reporting capabilities were expanded by adding over 300 data columns from FPDS-NG to the Data Warehouse; implementing the Procurement Administrative Lead Time report to support the balance scorecard review; and creating an interface with the Western Area Power Administration. The Time to Hire reporting process was updated with new functionality for entering goals and reporting on GS and SES hiring; use of geospatial maps and system usage statistics; the MA Conferencing Tool was developed and implemented for entering and tracking DOE conferences and related costs; and the CFO and Working Capital Fund public facing websites were migrated to iPortal Spaces. Future activities planned for IDW/iPortal include interfacing with the Project Assessment and Reporting System and the PAMS; and adding additional Single Sign-On systems.

Systems Underway

iBudget – The iBudget project will integrate the front end budget formulation and funds distribution functions into the STARS Oracle eBusiness Suite. The project has two phases. The first phase is underway and will implement a corporate funds distribution solution that automates, standardizes, and streamlines the processes and procedures across the Department, retiring multiple legacy applications in use among the various site offices.

The second phase of iBudget will implement a corporate budget formulation solution that will replace the Excel spreadsheets in use today and will allow budgets to be formulated from the bottom up across the enterprise in a standard framework - completing the modernization and consolidation of budget tools within the Department.

Improper Payments Information and Reporting

The Improper Payments Information Act (IPIA) of 2002, Public Law (P.L.) No. 107-300, as amended by the Improper Payments Elimination and Recovery Act (IPERA) of 2010 requires agencies to annually review their programs and activities to identify those susceptible to significant improper payments, to measure and report improper payment rates and amounts for programs that are found to be susceptible to improper payments. In addition, IPERA and the implementing guidance expanded agency authorities and requirements for recapturing overpayments, one type of improper payment. OMB released guidance for implementing IPERA and established specific reporting requirements for agencies with programs that possess a significant risk of erroneous payments and for reporting on the results of recapture activities.

Improper Payments

The Department uses OMB's risk factors in performing risk assessments at least once every three years to determine whether programs are susceptible to significant improper payments, unless programs experience significant change when the frequency is accelerated. Based on risk assessments conducted during FY 2013, the Department currently does not have any programs susceptible to significant improper payments and continues to maintain a <1% overall erroneous payment rate and actual improper payments at a level below OMB's $100 million threshold. The Departmental erroneous payment rate has remained below one percent since the inception of its tracking program in FY 2002. For FY 2012 reported information, the Department's total payment outlays were $ 46.5 billion, and the actual amount of improper payments identified were $ 21.8 million.

Recovery Auditing

In accordance with the expanded requirements of IPERA, the Department has established a policy for implementing payment recapture auditing requirements. This policy prescribes requirements for identifying overpayments and establishes reporting standards to track the status of recoveries. The Department's payment recapture audit activities include conducting recapture audits and leveraging various other processes to identify and recover improper payments. These other processes include performing post-payment reviews, internal audits and utilizing the results of cost allowability audits of integrated contractors. The Department's on-going and integrated relationship with its contractors enables a high improper payment recapture rate, currently 91.2 percent for FY 2012. The cumulative amount determined not collectible by the Department since FY 2004 is $ .63 million and is deemed uncollectible due to amounts being below a minimal threshold established for pursuing recapture or due to lost prompt payment discounts. The Department has identified improper payment activity as a focus area within our internal control program and will continue to emphasize, evaluate and strengthen controls where needed to maintain our record of low payment errors and ensure the effective stewardship of public funds.

Payment Recapture Audit Reporting for FY 2012 Payments ($ in millions)

	FY 2012								
PROGRAM PAYMENT TYPE	AMOUNT SUBJECT TO REVIEW	ACTUAL AMOUNT REVIEWED AND REPORTED	AMOUNTS IDENTIFIED FOR RECOVERY	AMOUNTS RECOVERED	% OF AMOUNT RECOVERED OUT OF AMOUNT IDENTIFIED	AMOUNT OUTSTANDING	% OF AMOUNT OUTSTANDING OUT OF AMOUNT IDENTIFIED	AMOUNT DETERMINED NOT COLLECTABLE	% OF AMOUNT DETERMINED NOT COLLECTABLE OUT OF AMOUNT IDENTIFIED
Vendor/ Contracts	$23,745	$23,745	$17.4	$16.5	94.7%	$.628	3.6%	$.292	1.7%
Payroll	7,988	7,988	2.34	1.80	77.1%	.414	17.7%	.123	5.2%
Travel	324	324	.246	.245	99.5%	.001	0.5%	-	0.0%
Other	747	747	.248	.177	71.5%	.071	28.5%	-	0.0%
Grants	8,117	1,430	1.14	.800	70.3%	.338	29.7%	-	-
Loans	5,452	5,452	-	-	-	-	-	-	-
Total	$46,508	$39,820	$21.4	$19.5	91.2%	$1.5	6.9%	$0.414	1.9%

FY 2004-2011		FY 2004-2012			FY 2004-2012
AMOUNTS IDENTIFIED FOR RECOVERY	AMOUNTS RECOVERED	CUMULATIVE AMOUNTS IDENTIFIED FOR RECOVERY	CUMULATIVE AMOUNTS RECOVERED	CUMULATIVE AMOUNT PENDING RECOVERY	CUMULATIVE AMOUNT DETERMINED NOT COLLECTABLE
$102.32	$90.33	$123.72	$112.32	$4.65	$.63

Payment Recapture Rate and Targets ($ in millions)

PROGRAMS	TYPE OF PAYMENT	FY 2012 AMOUNT IDENTIFIED	FY 2012 AMOUNT RECOVERED	FY 2012 RECOVERY RATE	FY 2013 RECOVERY RATE TARGET	FY 2014 RECOVERY RATE TARGET	FY 2015 RECOVERY RATE TARGET
All	All	$21.40	$19.51	91.2%	93%	93%	93%

Aging of Outstanding Overpayments ($ in millions)

PROGRAMS	TYPE OF PAYMENT	FY 2012 AMOUNT OUTSTANDING (0-6 months)	FY 2012 AMOUNT OUTSTANDING (6 months-1 yr)	FY 2012 AMOUNT OUTSTANDING (Over 1 yr)
All	All	N/A	N/A	$1.47

Disposition of Recaptured Funds ($ in millions)

PROGRAMS	TYPE OF PAYMENT	AGENCY EXPENSES TO ADMINISTER THE PROGRAM	PAYMENT RECAPTURE AUDITOR FEES	FINANCIAL MANAGEMENT IMPROVEMENT ACTIVITIES	ORIGINAL PURPOSE	OFFICE OF INSPECTOR GENERAL	RETURNED TO TREASURY
All	All	N/A	N/A	N/A	$20.30	N/A	N/A

Other Statutory Reporting – Management's Response to Audit Reports

Pursuant to the Inspector General Act Amendments of 1988 (Public Law 100-504), agency heads are to report to Congress on the status of final action taken on audit report recommendations. This report complements a report prepared by the Department's IG that provides information on audit reports issued during the period and on the status of management decisions made on previously issued IG audit reports; the IG report is available at http://www.ig.energy.gov.

The reporting also contains information on the resolution of GAO audits per the reporting requirements in OMB Circular A-50.

Inspector General Audit Reports

The Department responds to audit reports by evaluating the recommendations they contain, formally responding to the IG, and implementing agreed-upon corrective actions. In some instances, we are able to take corrective action immediately and in others, action plans with long-term milestones are developed and implemented. The audit resolution and follow-up process is an integral part of the Department's effort to deliver its priorities more effectively and at the least cost. Actions taken by management on audit recommendations increase both the efficiency and effectiveness of our operations and strengthen our standards of accountability.

During FY 2013, the Department received **124** IG reports, of which **83** contained recommendations requiring corrective actions and **41** had no recommendations. The Department took final action on **49** IG reports, **8** of which identified cost impacts, including both questioned costs and funds put to better use. At the end of the period, **150** IG reports awaited final action. As reported here, taking final action on a report includes both the development of an agreed-upon management decision and completion of the corrective actions.

Status of Final Action on IG Audit Reports for FY 2013

The following chart provides more detail on the audit reports with open actions and the dollar value of recommendations and funds "put to better use" that were agreed to by management.

AUDIT REPORTS	NUMBER OF REPORTS	COST IMPACT (Millions)
Reports Pending Final Action at the end of FY 2012*	116	$4.1
Reports Issued in FY 2013 Requiring Corrective Actions	83	$16.5
Total Reports pending Final Action During FY 2013	199	$20.6
Reports Closed During FY 2013	49	$16.0
Total Reports Pending Final Action as of the End of FY 2013	150	$4.6

**Note: Reflects adjustments from the amount reported previously*

Government Accountability Office Audit Reports

The GAO audits are a major component of the Department's audit follow-up program. At the beginning of FY 2013 there were **46** GAO Audits awaiting final action. During FY 2013, the Department received **32** additional final GAO audit reports, of which **9** contained recommendations requiring corrective actions and **23** had no recommendations. The Department completed agreed-upon corrective actions for **14** audits during FY 2013, leaving **41** GAO reports awaiting final action at year-end.

Glossary of Acronyms

AFR	Agency Financial Report
APM	Acquisition and Project Management
APR	Annual Performance Report
ARO	Asset Retirement Obligations
ARPA-E	Advanced Research Projects Agency-Energy
ARRA	American Recovery and Reinvestment Act
ASC	Accounting Standards Codification
ATVM	Advanced Technology Vehicle Manufacturing
BESC	BioEnergy Science Center
BiOp	Biological Opinion
BPA	Bonneville Power Administration
CAP	Corrective Action Plan
CCS	Carbon Capture and Storage
C.F.R.	Code of Federal Regulations
CGS	Columbia Generating Station
CHCO	Chief Human Capital Officer
CHRIS	Corporate Human Resources Information System
CIO	Office of the Chief Information Officer
CO	Contracting Officer
CO_2	Carbon Dioxide
COR	Contracting Officers Representative
CORPS	U.S. Army Corps of Engineers
CR	Continuing Resolution
CSAT	Cybersecurity Awareness and Training
CSRS	Civil Service Retirement System
D&D	Uranium Enrichment Decontamination and Decommissioning Fund
DHS	Department of Homeland Security
DNFSB	Defense Nuclear Facilities Safety Board
DNN	Defense Nuclear Nonproliferation
R&D	Research and Development
DoD	Department of Defense
DOE	Department of Energy
EEOICPA	Energy Employees Occupational Illness Compensation Program Act
EERE	Office of Energy Efficiency and Renewable Energy
EGS	Enhanced Geothermal Systems
EM	Office of Environmental Management
ERISA	Employee Retirement Income Security Act
ES&H	Environment, Safety, and Health
ESA	Endangered Species Act
eSCRM	Enterprise Supply Chain Risk Management
FCRA	Federal Credit Reform Act of 1990
FE	Office of Fossil Energy
FERC	Federal Energy Regulatory Commission
FERS	Federal Employees Retirement System
FFB	Federal Financing Bank
FFMIA	Federal Financial Management Improvement Act
FIPP	Financial Institution Partnership Program
FMFIA	Federal Managers' Financial Integrity Act
FPDS-NG	Federal Procurement Data System – Next Generation
FY	Fiscal Year
GAO	Government Accountability Office
GDP	Gaseous Diffusion Plant
GEAR	Goals-Engagement-Accountability-Results
GS	General Schedule
GSA	General Services Administration
GSP	Graded Security Protection
GTRI	Global Threat Reduction Initiative
HC	Human Capital
HEU	Highly Enriched Uranium
HMO	Health Maintenance Organization
HR	Human Resources
HSS	Office of Health, Safety and Security
IAEA	International Atomic Energy Agency

OTHER INFORMATION

iBudget	iManage Budget
IDW	iManage Data Warehouse
IG	Office of Inspector General
Interior	Department of the Interior
IP	Implementation Plan
IPERA	Improper Payments Elimination and Recovery Act
ISM	Integrated Safety Management
ISO	California Independent System Operator
IT	Information Technology
ITO	Indium Tin Oxide
JAEA	Japan Atomic Energy Agency
JC3	Joint Cybersecurity Coordination Center
LEU	Low Enriched Uranium
MA	Medicare Advantage
MOX	Mixed Oxide
MTIPS	Managed Trusted Internet Protocol Service
MTU	Metric Tons of Uranium
MY	Model Year
NAV	Net Asset Value
NCSAM	National Cybersecurity Awareness Month
NE	Office of Nuclear Energy
NNSA	National Nuclear Security Administration
NSR&D	Nuclear Safety Research and Development
NWPA	Nuclear Waste Policy Act
OAPM	Office of Acquisition and Project Management
OMB	Office of Management and Budget
OPM	Office of Personnel Management
P.L.	Public Law
PAMS	Portfolio Analysis and Management System
PAR	Performance and Accountability Report
PDP	Medicare Part D Prescription Drug Plan
PEMPS	Performance Evaluation Management Plans
PMA	Power Marketing Administration
PMPM	Per Member Per Month
PPO	Preferred Provider Organization
PRB	Post Retirement Benefits Other Than Pensions
RA	Recovery Act
RCA	Root Cause Analysis
R&D	Research and Development
REP	Residential Exchange Program
RSSI	Required Supplementary Stewardship Information
SC	Office of Science
SCRM	Supply Chain Risk Management
SES	Senior Executive Service
SFFAS	Statement of Federal Financial Accounting Standard
SNF	Spent Nuclear Fuel
SNM	Special Nuclear Material
SPR	Strategic Petroleum Reserve
SRS	Savannah River Site
STARS	Standard Accounting and Reporting System
STRIPES	Strategic Integrated Procurement Enterprise System
TIC	Trusted Internet Connection
Treasury	Department of the Treasury
UF6	Uranium Hexafluoride
U.S.C.	United States Code
USEC	United States Enrichment Corporation
WAPA	Western Area Power Administration
Y-12	Y-12 National Security Complex

This page intentionally left blank

OTHER INFORMATION

Front Cover:

Top Photo: Wind Turbines in California.

Center Photo: Mira, Argonne National Laboratory's IBM Blue Gene/Q, has a peak performance of 10 petaflops, or 10 quadrillion calculations per second. Mira will provide billions more processor-hours per year to the scientists, engineers, and researchers who use it to run complex simulations of everything from nuclear reactors to blood vessels. Mira is currently the fifth fastest supercomputer in the world.

Image: Courtesy of Argonne National Laboratory.

Center Left Photo: Workers demolish coal-fired steam plant at EM's Portsmouth Site. A high-pressure water cannon is used to control dust for the demolition of the X-600 Steam Plant.

Center Right Photo: Incorporation of a new CO2 sorbent into commercial heating, ventilation, and air conditioning (HVAC) systems will save energy and reduce operating costs. HVAC is one of the largest consumers of electric power in the United States, responsible for more than half of the load on the electric grid in many major cities. NETL work has led to a patented CO2 sorbent that has now been licensed commercially.

Bottom Left Photo: Solar panels at sunset.

Bottom Right Photo: DOE is investing in 17 marine and hydrokinetic energy technology projects that will increase power production and the reliability of wave and tidal devices.

Back Cover:

Top Left Photo: America's first commercial cellulosic biofuel plant recently began operations in Columbus, Mississippi. As KiOR scales up its production over the next three years, the fuel—which is derived from plant mass not suitable for food—is expected to become cost-competitive with traditional fuels, and investors are taking note.

Top Right Photo: LLNL scientists are lending their technological savvy to the Large Underground Xenon experiment in South Dakota because it turns out that the same type of detector needed to sniff out mysterious dark matter particles could also be used to keep an eye on what's going on in nuclear facilities around the world.

Center Left Photo: A DOE carbon capture, utilization, and storage test project in Decatur, Illinois, completed a full year of successful injection and storage of supercritical carbon dioxide in a saline reservoir. This amounts to 317,000 metric tons of CO_2 that otherwise would have ended up in the atmosphere. The project is helping to demonstrate the viability of this technology as part of a portfolio of options to reduce carbon emissions.

Center Right Photo: A new enclosure for processing radioactive casks has put ORNL on a path to finishing cleanup work two years ahead of schedule, saving taxpayers nearly $20 million.

Bottom Photo: Invenergy is the developer of the 129-MW Forward Wind Energy Center Project near Fond Du Lac, Wisconsin, that came online in 2008.

WWW.ENERGY.GOV

www.energy.gov/cfo/reports/agency-financial-reports