

United States Government

Department of Energy

# Memorandum

DATE: November 15, 2010

REPLY TO

ATTN TO: IG-34 (A10FN009)

SUBJECT: Office of Civilian Radioactive Waste Management's Fiscal Year 2010 Financial Statement Audit Report No.: OAS-FS-11-03

TO: Director, Office of Standard Contract Management

The attached report presents the results of the independent certified public accountants' audit of the Office of Civilian Radioactive Waste Management's (OCRWM) Fiscal Year 2010 balance sheet and the related statements of net cost, changes in net position, and budgetary resources.

To fulfill the Office of Inspector General's audit responsibilities, we contracted with the independent public accounting firm of KPMG LLP (KPMG) to conduct the audit, subject to our review. KPMG is responsible for expressing an opinion on OCRWM's financial statements and reporting on applicable internal controls and compliance with laws and regulations. The Office of Inspector General monitored audit progress and reviewed the audit report and related documentation. This review disclosed no instances where KPMG did not comply, in all material respects, with generally accepted Government auditing standards. The Office of Inspector General did not express an independent opinion on OCRWM's financial statements.

KPMG concluded that the financial statements present fairly, in all material respects, OCRWM's financial position as of September 30, 2010, its net costs, changes in net position, and budgetary resources in conformity with United States generally accepted accounting principles.

The auditors' review of OCRWM's internal control structure and compliance with certain laws and regulations disclosed no material weaknesses or instances of noncompliance required to be reported under generally accepted Government auditing standards or applicable Office of Management and Budget guidance.



Daniel M. Weber, Director  
Environment, Technology, Corporate,  
and Financial Audits Division  
Office of Inspector General

Attachment

cc w/attachment:

Chief Financial Officer, CF-1

Director, Office of Financial Control and Reporting, CF-12

Assistant Director, Office of Risk Management, CF-80

Team Leader, Office of Risk Management, CF-80

Audit Resolution Specialist, Office of Risk Management, CF-80

**UNITED STATES DEPARTMENT OF ENERGY  
OFFICE OF CIVILIAN RADIOACTIVE WASTE MANAGEMENT**

**Annual Financial Report  
Years Ended September 30, 2010 and 2009**

November 10, 2010

**UNITED STATES DEPARTMENT OF ENERGY  
OFFICE OF CIVILIAN RADIOACTIVE WASTE MANAGEMENT**

**Annual Financial Report  
Years Ended September 30, 2010 and 2009**

**Table of Contents**

	<b>Page</b>
Overview	
Reporting Entity and Financial Performance	1
Analysis of Systems, Controls and Legal Compliance	2
Independent Auditors' Report	4
Financial Results	
Balance Sheets	8
Statements of Net Costs	9
Statements of Changes in Net Position	10
Statements of Budgetary Resources	11
Notes to Financial Statements	12
Required Supplementary Stewardship Information for Research and Development	25
Supplementary Information – Schedule I	26
Schedule of Cumulative Net First and Second Repository Costs	
Supplementary Information – Schedule II	27
Schedule of Cumulative Revenues and Deferred Revenue	

## OVERVIEW

### Reporting Entity

The Nuclear Waste Policy Act of 1982 (NWPA) (Public Law 97-425) established the Office of Civilian Radioactive Waste Management (OCRWM) within the United States (U.S.) Department of Energy (Department or DOE). OCRWM's mission was to manage and dispose of the Nation's spent nuclear fuel (SNF) and high-level radioactive waste (HLW). OCRWM provided leadership in developing and implementing strategies while accomplishing this mission that ensures public and worker health and safety, protects the environment, merits public confidence, and remains economically viable.

The Nuclear Waste Policy Amendments Act of 1987 (Title V, Public Law 100-203) directed the Secretary of Energy to characterize only the Yucca Mountain site in Nevada as a candidate site to determine if it was suitable for a repository for SNF and HLW.

The characterization of the Yucca Mountain site has been completed. On June 3, 2008, OCRWM submitted a license application to the NRC seeking authorization to construct the Yucca Mountain repository.

In fiscal year (FY) 2009 the Obama Administration decided to terminate the Yucca Mountain Project and explore nuclear waste disposal alternatives. On February 1, 2010 the President issued the FY 2011 Budget Request with a zero budget request for OCRWM. On March 3, 2010 the Department issued a Motion to Withdraw the Yucca Mountain License Application before the Atomic Safety and Licensing Board of the U.S. Nuclear Regulatory Commission. On June 30, 2010 the U.S. NRC Atomic Safety and Licensing Board denied the Department's motion to withdraw its license application. Cases filed in the U.S. Court of Appeals by the states of Washington and South Carolina challenge the Department's termination of the Yucca Mountain repository proceedings. On October 1, 2010 the Department shifted OCRWM program responsibilities to various Departmental Program Secretarial Offices. The Administration convened a "blue ribbon" commission of experts to evaluate alternative approaches for meeting the federal responsibility to manage and ultimately dispose of spent nuclear fuel and high-level waste from both commercial and defense activities, and following the release of their study the Nation will proceed with developing a new policy for the permanent disposition of spent nuclear fuel and high level waste.

As of September 30, 2009, OCRWM employed a staff of 672 full-time equivalents (FTE). This included 193 OCRWM Federal FTE, 30 FTE at other Headquarters offices, 3 Federal FTE at the Department of Energy National Nuclear Security Administration/Nevada Site Office, 114 FTE at the management and operating contractor, 141 FTE at Sandia National Laboratories, and 191 FTE at other contractors. As of September 30, 2010 OCRWM employed no staff.

## **Fiscal Year 2010 and 2009 Financial Performance**

OCRWM funding came from the Nuclear Waste Fund (NWF) and the Defense Nuclear Waste Disposal Appropriation (DNWDA). The NWF consists of fees paid by the owners and generators of SNF from commercial reactors, in accordance with provisions of their contracts with the Department for disposal services. NWF assets in excess of those authorized by Congress to pay program costs are invested in U.S. Treasury securities. The DNWDA was established by the Congress in lieu of direct payment of fees by the Department into the NWF to pay for the disposal costs of the HLW resulting from atomic energy defense activities and other Department-managed nuclear materials. As of September 30, 2010, cumulative revenue from fees and the DNWDA, totaled approximately \$22.028 billion; and cumulative interest earnings and other revenue totaled approximately \$17.212 billion. Cumulative expenditures from appropriations and amounts authorized by Congress, including direct appropriations to the NRC, the now defunct Office of the Nuclear Waste Negotiator, and the Nuclear Waste Technical Review Board, totaled approximately \$11.286 billion.

As of September 30, 2010, the U.S. Treasury securities held by OCRWM had a market value of \$30.457 billion compared to \$26.439 billion at the end of fiscal year (FY) 2009. Investment income and net gains on the sale of securities totaled \$1.193 billion and \$1.054 billion for FY 2010 and FY 2009, respectively.

## **ANALYSIS OF SYSTEMS, CONTROLS, AND LEGAL COMPLIANCE**

Analysis of systems, controls, and legal compliance is performed, reported, and audited at the Departmental level. The results of these reviews and assessments are incorporated in the Department's Annual Financial Report. A significant issue, Nuclear Waste Disposal, was reported by management in FY 2009 and FY 2010 and is described below.

### **Federal Managers' Financial Integrity Act**

The Federal Managers' Financial Integrity Act (FMFIA) of 1982 requires that agencies establish internal control and financial systems to provide reasonable assurances that the integrity of Federal programs and operations are 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 management 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 Office of Management and Budget and the Government Accountability Office. 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 Management Control Program, makes the final assessment and decision for the Department.

## **Significant Issue - Nuclear Waste Disposal: Leadership Challenge**

The government's acceptance of spent nuclear fuel and high-level radioactive waste, authorized under the NWPA, has been delayed by various factors. This first-of-a-kind endeavor, to develop and have accepted a disposal system that must endure a compliance period of a million years has required more time than envisioned at the time of the NWPA was enacted in 1982.

### **Actions Taken and Remaining**

In 2008 OCRWM submitted a license application to the NRC seeking authorization to construct the Yucca Mountain repository and, on September 30, 2008, EPA finalized the radiation protection standards.

In FY 2009 the President and the Secretary announced the Administration's intent not to develop a geologic repository at Yucca Mountain and to terminate the Yucca Mountain Project. On March 3, 2010 the Department issued a Motion to Withdraw the Yucca Mountain License Application before the Atomic Safety and Licensing Board of the U.S. Nuclear Regulatory Commission and on October 1, 2010 the OCRWM program responsibilities were shifted to various other Departmental Program Secretarial Offices. The Blue Ribbon Commission was established to evaluate alternative approaches for meeting the Federal responsibility to manage the disposal of nuclear waste from commercial and defense activities.



**KPMG LLP**  
2001 M Street, NW  
Washington, DC 20036-3389

## **Independent Auditors' Report**

Office of Civilian Radioactive Waste Management, United States Department of Energy and  
The Inspector General, United States Department of Energy:

We have audited the accompanying balance sheets of the Office of Civilian Radioactive Waste Management (OCRWM), a component of the United States (U.S.) Department of Energy (Department or DOE), as of September 30, 2010 and 2009, and the related statements of net cost, changes in net position, and budgetary resources (hereinafter referred to as "financial statements") for the years then ended. The objective of our audits was to express an opinion on the fair presentation of these financial statements. In connection with our fiscal year 2010 audit, we also considered OCRWM's internal control over financial reporting and tested OCRWM's compliance with certain provisions of applicable laws, regulations, and contracts that could have a direct and material effect on these financial statements.

### **Summary**

As stated in our opinion on the financial statements, we concluded that OCRWM's financial statements as of and for the years ended September 30, 2010 and 2009, are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles.

Our report emphasizes that (1) the Department closed OCRWM as of September 30, 2010, and on October 1, 2010, reassigned prior responsibilities of OCRWM and its assets and liabilities within the Department; and (2) OCRWM is involved as a defendant in several matters of litigation relating to its inability to accept waste by January 31, 1998, the date specified in the Nuclear Waste Policy Act of 1982, as amended.

Our consideration of internal control over financial reporting was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined in the Internal Control Over Financial Reporting section of this report.

The results of our tests of compliance with certain provisions of laws, regulations, and contracts disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended.

The following sections discuss our opinion on OCRWM's financial statements; our consideration of OCRWM's internal control over financial reporting; our tests of OCRWM's compliance with certain provisions of applicable laws, regulations, and contracts; and management's and our responsibilities.



Office of Civilian Radioactive Waste Management  
November 10, 2010  
Page 2 of 4

### **Opinion on the Financial Statements**

We have audited the accompanying balance sheets of OCRWM as of September 30, 2010 and 2009, and the related statements of net cost, changes in net position, and budgetary resources for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of OCRWM as of September 30, 2010 and 2009, and its net costs, changes in net position, and budgetary resources for the years then ended, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 1 to the financial statements, in fiscal year 2010 the President of the United States and the Secretary of the Department of Energy announced the closure of the repository at Yucca Mountain and eliminated funding for the OCRWM program subsequent to fiscal year 2010. Consequently, the Department closed OCRWM as of September 30, 2010, and on October 1, 2010, reassigned prior responsibilities of OCRWM and its assets and liabilities within the Department. Management's description of these events and the consequential results are described in Note 1.

As discussed in Note 9 to the financial statements, OCRWM is involved as a defendant in several matters of litigation relating to its inability to accept waste by the January 31, 1998 date specified in the Nuclear Waste Policy Act of 1982, as amended. OCRWM has recorded liabilities for likely damages of \$15.4 billion, and \$13.1 billion as of September 30, 2010 and 2009, respectively.

The information in the Overview and Required Supplementary Stewardship Information sections is not a required part of the financial statements, but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this information. However, we did not audit this information and, accordingly, we express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information included in Supplementary Information – Schedules I and II for the years ended September 30, 2010, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion, is fairly stated in all material aspects in relation to the financial statements taken as a whole.

We have also previously audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of OCRWM as of and for the years ended September 30, 1983 through September 30, 2008 (none of which are presented herein), and we expressed unqualified opinions on those financial statements. The supplementary information included in Schedules I and II related to OCRWM's financial statements as of and for the years ended September 30, 1983 through September 30, 2008 was subjected to auditing procedures applied in the audits of those financial statements, and in our opinion, is fairly stated in all material respects in relation to the financial statements from which it has been derived.



### **Internal Control Over Financial Reporting**

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 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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the Responsibilities section of this report and was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. In our fiscal year 2010 audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

We noted certain additional matters that we will report to management in a separate letter.

### **Compliance and Other Matters**

The results of our tests of compliance described in the Responsibilities section of this report disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 07-04.

\* \* \* \* \*

### **Responsibilities**

**Management's Responsibilities.** Management is responsible for the financial statements; establishing and maintaining effective internal control; and complying with laws, regulations, and contracts applicable to OCRWM.

**Auditors' Responsibilities.** Our responsibility is to express an opinion on the fiscal year 2010 and 2009 financial statements of OCRWM 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 OMB Bulletin No. 07-04. Those standards and OMB Bulletin No. 07-04 require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of OCRWM's internal control over financial reporting. Accordingly, we express no such opinion.

An audit also includes:

- Examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- Assessing the accounting principles used and significant estimates made by management; and
- Evaluating the overall financial statement presentation.

We believe that our audits provide a reasonable basis for our opinion.



Office of Civilian Radioactive Waste Management  
November 10, 2010  
Page 4 of 4

In planning and performing our fiscal year 2010 audit, we considered OCRWM's internal control over financial reporting by obtaining an understanding of OCRWM's internal control, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of controls as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of OCRWM's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of OCRWM's internal control over financial reporting. Furthermore, we did not test all controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

As part of obtaining reasonable assurance about whether OCRWM's fiscal year 2010 financial statements are free of material misstatement, we performed tests of OCRWM's compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 07-04. We limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws, regulations, and contracts applicable to OCRWM. However, providing an opinion on compliance with laws, regulations, and contracts was not an objective of our audit and, accordingly, we do not express such an opinion.

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This report is intended solely for the information and use of OCRWM's and the Department of Energy's management, the Department of Energy's Office of Inspector General, OMB, the U.S. Government Accountability Office, and the U.S. Congress and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

November 10, 2010

**UNITED STATES DEPARTMENT OF ENERGY**  
**OFFICE OF CIVILIAN RADIOACTIVE WASTE MANAGEMENT**

**Balance Sheets**  
**As of September 30, 2010 and 2009**  
**(Dollars in thousands)**

	<b>FY 2010</b>	<b>FY 2009</b>
<b>ASSETS</b>		
Intragovernmental		
Fund Balance with Treasury <sup>(Note 3)</sup>	\$ 67,276	\$ 43,750
Investments and Related Interest, Net <sup>(Note 4)</sup>	24,566,237	22,749,189
Accounts Receivable:		
Utilities <sup>(Note 5)</sup>	12,237	13,438
Other Assets	274	919
Total Intragovernmental Assets	<u>24,646,024</u>	<u>22,807,296</u>
Accounts Receivable:		
Utilities <sup>(Note 5)</sup>	3,407,244	3,404,041
General Property, Plant, and Equipment, Net <sup>(Note 6)</sup>	580	6,168
Other Assets	62	740
Total Assets	<u>\$ 28,053,910</u>	<u>\$ 26,218,245</u>
<b>LIABILITIES</b>		
Intragovernmental <sup>(Note 8)</sup> :		
Accounts Payable	\$ 1,325	\$ 4,066
Deferred Revenue <sup>(Notes 7 and 10)</sup>	614,076	590,555
Other Liabilities	429	458
Total Intragovernmental Liabilities	615,830	595,079
Accounts Payable	5,808	15,627
Deferred Revenue <sup>(Note 10)</sup>	27,358,294	25,561,371
Pension and Other Actuarial Liabilities	9,584	9,099
Other Liabilities	2,963	8,145
Commitments and Contingencies <sup>(Note 9)</sup>	15,382,186	13,147,213
Total Liabilities <sup>(Note 8)</sup>	<u>43,374,665</u>	<u>39,336,534</u>
<b>NET POSITION</b>		
Unexpended Appropriations - Other Funds	61,431	28,924
Cumulative Results of Operations - Other Funds	<u>(15,382,186)</u>	<u>(13,147,213)</u>
Total Net Position	<u>(15,320,755)</u>	<u>(13,118,289)</u>
Total Liabilities and Net Position	<u>\$ 28,053,910</u>	<u>\$ 26,218,245</u>

*The accompanying notes are an integral part of these statements.*

UNITED STATES DEPARTMENT OF ENERGY  
OFFICE OF CIVILIAN RADIOACTIVE WASTE MANAGEMENT

Statements of Net Costs  
For the Years Ended September 30, 2010 and 2009  
(Dollars in thousands)

	FY 2010	FY 2009
First Repository Costs	\$ 47,078	\$ 96,139
All Other Program Costs:		
Program Support	52,176	66,273
Transfers of Appropriations <sup>(Note 7)</sup>	32,891	52,811
Waste Acceptance, Storage and Transportation	63,391	110,051
Imputed and Other Costs	1,183	1,764
Total All Other Program Costs	149,641	230,899
Total First Repository and Other Program Costs	196,719	327,038
Less Earned Revenues <sup>(Note 10)</sup>	(195,536)	(325,274)
Net First Repository Costs & Other Program Costs	1,183	1,764
Estimated liability for waste acceptance obligations	2,509,557	1,020,315
Net Cost of Operations	\$ 2,510,740	\$ 1,022,079

*The accompanying notes are an integral part of these statements.*

**UNITED STATES DEPARTMENT OF ENERGY**  
**OFFICE OF CIVILIAN RADIOACTIVE WASTE MANAGEMENT**

**Statements of Changes in Net Position**  
**For the Years Ended September 30, 2010 and 2009**  
**(Dollars in thousands)**

	FY 2010	FY 2009
<b>CUMULATIVE RESULTS OF OPERATIONS:</b>		
Beginning Balance	\$ (13,147,213)	\$ (12,335,084)
Other Financing Sources (Non-Exchange):		
Imputed Financing from Costs Absorbed by Others	275,767	209,950
Total Other Financing Sources	<u>275,767</u>	<u>209,950</u>
Net Cost of Operations	<u>(2,510,740)</u>	<u>(1,022,079)</u>
Net Change	<u>(2,234,973)</u>	<u>(812,129)</u>
Ending Balance - Cumulative Results of Operations	<u>\$ (15,382,186)</u>	<u>\$ (13,147,213)</u>
<b>UNEXPENDED APPROPRIATIONS:</b>		
Beginning Balance	\$ 28,924	\$ 18,276
Budgetary Financing Sources Related to Appropriations:		
Appropriations Received <sup>(Note 2)</sup>	98,400	143,000
Appropriations Used	<u>(65,893)</u>	<u>(132,352)</u>
Total Budgetary Financing Sources Related to Appropriations	<u>32,507</u>	<u>10,648</u>
Ending Balance Unexpended Appropriations	<u>61,431</u>	<u>28,924</u>
Total Net Position	<u>\$ (15,320,755)</u>	<u>\$ (13,118,289)</u>

*The accompanying notes are an integral part of these statements.*

**UNITED STATES DEPARTMENT OF ENERGY**  
**OFFICE OF CIVILIAN RADIOACTIVE WASTE MANAGEMENT**

**Statements of Budgetary Resources**  
**For the Years Ended September 30, 2010 and 2009**  
**(Dollars in thousands)**

	FY 2010	FY 2009
<b>BUDGETARY RESOURCES</b>		
Unobligated balance, Brought Forward, October 1	\$ 23,591	\$ 8,888
Recoveries of Prior Year Unpaid Obligations	-	3
Budget Authority:		
Appropriations <sup>(Note 2)</sup>	196,800	288,390
Total Budgetary Resources	<u>\$ 220,391</u>	<u>\$ 297,281</u>
<b>STATUS OF BUDGETARY RESOURCES</b>		
Obligations Incurred:		
Direct	\$ 83,325	\$ 136,163
Exempt from Apportionment	82,351	137,527
Total Obligations Incurred	165,676	273,690
Unobligated Balance:		
Apportioned	22,541	7,467
Exempt from Apportionment	32,174	16,124
Subtotal	54,715	23,591
Total Status of Budgetary Resources	<u>\$ 220,391</u>	<u>\$ 297,281</u>
<b>CHANGE IN OBLIGATED BALANCE</b>		
Obligated Balance, Net:		
Unpaid Obligations, Brought Forward, October 1	\$ 87,529	\$ 103,168
Total Unpaid Obligated Balance, Net, October 1	87,529	103,168
Obligations Incurred	165,676	273,690
Less: Recoveries of Prior Year Unpaid Obligations, Actual	-	(3)
Less: Gross Outlays	(172,818)	(289,326)
Obligated Balance, Unpaid Obligations, Net, End of Period	<u>\$ 80,387</u>	<u>\$ 87,529</u>
<b>NET OUTLAYS</b>		
Gross Outlays	\$ 172,818	\$ 289,326
Less: Distributed Offsetting Receipts	(1,934,814)	(1,866,704)
Net Outlays	<u>\$ (1,761,996)</u>	<u>\$ (1,577,378)</u>

*The accompanying notes are an integral part of these statements.*

**UNITED STATES DEPARTMENT OF ENERGY**  
**OFFICE OF CIVILIAN RADIOACTIVE WASTE MANAGEMENT**

Notes to Financial Statements  
September 30, 2010 and September 30, 2009

(Dollars in thousands unless otherwise noted)

**(1) Legislative Background**

The Nuclear Waste Policy Act of 1982 (NWPA) was signed into law on January 7, 1983. The NWPA establishes a framework for the financing, siting, licensing, operating and decommissioning of one or more mined geologic repositories for the Nation's spent nuclear fuel (SNF) and high-level radioactive waste (HLW) which is to be carried out by the Department of Energy's (Department) Office of Civilian Radioactive Waste Management (OCRWM). In addition, the NWPA contains other provisions including:

- Assigning responsibility for the full payment of disposal costs to the owners and generators of SNF and HLW and creating a special Nuclear Waste Fund (NWF) within the Department of Treasury of the United States for the collection of fees related to such costs;
- Providing for contracts between the Department and the owners and generators of SNF and HLW pursuant to which the Department is to take title to the SNF or HLW as expeditiously as possible, following commencement of repository operations and, in return for payment of fees established by the NWPA, to begin disposal of the SNF or HLW not later than January 31, 1998; and
- Requiring evaluation of the use of civilian disposal capacity for the disposal of HLW resulting from atomic energy defense activities (defense waste). In April 1985, the President notified the Department of his determination that a separate defense waste repository was not necessary and directed the Department to proceed with arrangements for disposal of such waste. Fees, equivalent to those paid by commercial owners, must be paid for this service by the Federal Government to the NWF account.

On December 22, 1987, the President signed into law the Budget Reconciliation Act, Subtitle A of Title V, of which contained amendments to the NWPA. The legislation directed the Department to characterize only the Yucca Mountain site in Nevada as a candidate site for the first repository. The legislation also provided for the termination of site-specific activities at all candidate sites other than the Yucca Mountain site, within 90 days of enactment, and for phasing out, not later than six months after enactment, all research programs in existence that were designed to evaluate the suitability of crystalline rock as a potential repository host medium. In the event that the Yucca Mountain site proves unsuitable for use as a repository, the legislation requires the Department to terminate site-specific activities and report to Congress.

In fiscal year 2009, the President of the United States and the Department Secretary announced that a repository at Yucca Mountain was not a workable option and that the repository program would be terminated. At that time, they also announced that a Blue Ribbon Commission would be established to evaluate disposal alternatives. Accordingly, on January 29, 2010, the Department Secretary announced the formation of a Blue Ribbon Commission on America's Nuclear Future to provide recommendations for developing a safe, long-term solution to managing the Nation's used nuclear fuel and nuclear waste. The Blue Ribbon Commission is expected to produce an interim report by July 2011 and a final report by January 2012. On February 1, 2010, the President issued the FY 2011 Budget Request with a zero budget request for OCRWM. Consequently, the Department closed OCRWM on September 30, 2010, and, on October 1, 2010, the Department reassigned prior responsibilities for the operations of OCRWM and its assets and liabilities within the Department.

**UNITED STATES DEPARTMENT OF ENERGY**  
**OFFICE OF CIVILIAN RADIOACTIVE WASTE MANAGEMENT**

Notes to Financial Statements  
September 30, 2010 and September 30, 2009

(Dollars in thousands unless otherwise noted)

**(2) Significant Accounting Policies**

**Basis of Presentation** – These financial statements have been prepared to report the financial position and results of operations of OCRWM and include all activity related to OCRWM, including the Nuclear Waste Fund Appropriation and the Defense Nuclear Waste Disposal Appropriation, used for the disposal of SNF and HLW. The financial statements have been prepared from the books and records of the Department for OCRWM in accordance with accounting principles generally accepted in the United States of America as applicable to Federal entities.

**Basis of Accounting** – OCRWM’s financial statements are prepared using the accrual method of accounting. Under the accrual method, revenues are recognized when earned, and expenses are recognized when a liability is incurred without regard to receipt or payment of cash. OCRWM also uses budgetary accounting to facilitate compliance with legal constraints and to monitor its budget authority.

**Revenue Recognition** – Fees, related accrued interest, and investment income are recognized as exchange (earned) revenue to the extent of expenses incurred, subject to Congressional authorization as discussed below. Fees billed, related accrued interest, and investment income in excess of current expenses are deferred.

The NWPA requires the civilian owners and generators of nuclear waste to pay their share of the full cost of the Civilian Radioactive Waste Management Program (Program) 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 one-time fee (see Note 5) was recorded by OCRWM as of April 7, 1983, related to the disposal of SNF generated prior to that date. Fees recognized by OCRWM are based upon kWh of electricity generated and sold by civilian nuclear reactors on and after April 7, 1983.

Fees associated with the disposal of the Department’s SNF and HLW are also recognized as the related costs are incurred and allocated. To estimate the share of the total Program costs that should be allocated to the Department, the methodology announced by the Department in the Federal Register in August 1987 was used. OCRWM management periodically updates the *Analysis of the Total System Life Cycle Cost of the Civilian Radioactive Waste Management Program* (TSLCC), which establishes the amounts to allocate.

**Appropriations** – Expenditure authority for OCRWM is provided by two separate appropriations as follows:

- For fiscal years 2010 and 2009, Congress appropriated \$98,400 and \$143,000, respectively, from the Defense Nuclear Waste Disposal Appropriation to be used for nuclear waste disposal activities.
- For fiscal years 2010 and 2009, Congress authorized \$98,400 and \$145,390, respectively, to be used for nuclear waste disposal activities and remain available until expended. This expenditure authority enables OCRWM to finance activities using the NWF special accounts.

Fee payments and investment income are deposited into the NWF account and are made available to the Department through the annual expenditure authority provided by Congress. Investments are made in U.S. Treasury securities from funds in excess of current needs. If, at any time, monies available in the NWF are insufficient to discharge responsibilities under the NWPA, borrowings may be made from the U.S. Treasury. The NWPA limits the OCRWM from incurring expenditures, entering into contracts, and obligating amounts to be expended except as provided in advance by appropriation acts. Appropriated dedicated receipts such as these are excluded from appropriations received on the *Statements of Changes in Net Position*.

**UNITED STATES DEPARTMENT OF ENERGY**  
**OFFICE OF CIVILIAN RADIOACTIVE WASTE MANAGEMENT**

Notes to Financial Statements  
September 30, 2010 and September 30, 2009

(Dollars in thousands unless otherwise noted)

**(2) Significant Accounting Policies (continued)**

**Imputed Financing Sources** – In certain instances, operating costs of OCRWM are paid out of funds appropriated to other federal agencies. For example, certain costs of retirement programs are paid by the Office of Personnel Management (OPM). When costs directly attributable to OCRWM's operations are paid by other agencies, OCRWM recognizes these amounts on the *Statements of Net Costs*. In addition, these amounts are recognized as imputed financing sources in the *Statements of Changes in Net Position*.

**Earmarked Funds** – OCRWM follows Statement of Federal Financial Accounting Standards (SFFAS) No. 27, *Identifying and Reporting Earmarked Funds*, which requires separate identification of earmarked funds on the Balance Sheets, Statements of Changes in Net Position, and other selected footnotes.

Earmarked funds 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 11).

**Investments** – Investments are in U.S. Treasury securities and are stated 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).

**General Property, Plant, and Equipment** – Purchases of general property, plant, and equipment (PP&E) exceeding \$50 are capitalized if they have a useful life greater than two years. PP&E is depreciated on a straight-line basis over the estimated useful lives of the assets. Useful lives range from 5 to 30 years. Maintenance costs are borne by OCRWM for equipment either on loan from or shared with other programs.

**Accounts Receivable** – Payment of accounts receivable will not be complete until OCRWM starts accepting waste. Interest is accrued quarterly on the outstanding amount receivable including accrued interest. The interest rate used is the 13-week U.S. Treasury bill rate. An allowance for doubtful accounts related to one-time spent fuel fees has not been recorded as of September 30, 2010 or September 30, 2009, as OCRWM is not obligated to accept waste without payment of fees.

**Accrued Investment Interest Receivable** – Investment interest is accrued on the outstanding investment balance using the applicable interest rate for the investments.

**Liabilities** – Liabilities represent the amount of monies or other resources that are likely to be paid by OCRWM as the result of a transaction or event that has already occurred. However, no liability can be paid by OCRWM absent an appropriation. Liabilities for which an appropriation has not been enacted are therefore classified in these notes as liabilities not covered by budgetary resources and there is no certainty that the appropriation will be enacted. Also, liabilities other than contracts can be abrogated by the Government acting in its sovereign capacity.

**Accrued Annual Leave** – 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 and unused annual leave balances. 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.

**UNITED STATES DEPARTMENT OF ENERGY**  
**OFFICE OF CIVILIAN RADIOACTIVE WASTE MANAGEMENT**

Notes to Financial Statements  
September 30, 2010 and September 30, 2009

(Dollars in thousands unless otherwise noted)

**(2) Significant Accounting Policies (continued)**

**Tax Status** – OCRWM, as a part of the Department of Energy, which is a Federal agency, is not subject to federal, state, or local income taxes.

**First Repository Costs** – For the fiscal years ended September 30, 2010 and September 30, 2009, first repository costs consist primarily of Yucca Mountain costs. The general goals have been that of licensing and construction of a permanent repository for nuclear waste at Yucca Mountain and to ready for acceptance of waste at the facility.

**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 1 percent of pay and matches any employee contribution up to an additional 4 percent of pay. For most employees hired since December 31, 1983, OCRWM also contributes the employer’s matching share for Social Security. OCRWM 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 and the FERS. OCRWM does report, as an imputed financing source and a program expense, the difference between its contributions to Federal employee pension and other retirement benefits and the estimated actuarial costs as computed by OPM.

**Contractor Employees** – OCRWM follows the requirements of the Financial Accounting Standards Board’s Accounting Standard’s section Codification 715, “*Compensation – Retirement Benefits*” for contractor employees. OCRWM’s integrated contractors maintain defined benefit pension plans under which they promise to pay employees specified benefits, such as a percentage of the final average pay for each year of service. OCRWM’s cost under the contract includes reimbursement of annual employer contributions to the pension plans. OCRWM is the predominant fund for one integrated contractor, and records the net liabilities of that contractor’s pension plans as if it were the plan sponsor.

**UNITED STATES DEPARTMENT OF ENERGY**  
**OFFICE OF CIVILIAN RADIOACTIVE WASTE MANAGEMENT**

Notes to Financial Statements  
September 30, 2010 and September 30, 2009

(Dollars in thousands unless otherwise noted)

**(3) Fund Balance with Treasury**

Summaries of the status of fund balances with the U.S. Treasury for appropriated and special funds as of September 30, 2010 and September 30, 2009, are as follows:

<b>As of September 30, 2010</b>	Appropriated Funds	Special Funds	Total
Unobligated budgetary resources			
Available	\$ 22,541	\$ 32,174	\$ 54,715
Obligated balance not yet disbursed			
Undelivered orders	38,890	33,518	72,408
Accounts payable and deposit fund liabilities	1,436	6,543	7,979
Budgetary resources invested in Treasury securities	-	(67,826)	(67,826)
<b>Total FY 2010 Fund Balance with Treasury</b>	<b>\$ 62,867</b>	<b>\$ 4,409</b>	<b>\$ 67,276</b>

<b>As of September 30, 2009</b>	Appropriated Funds	Special Funds	Total
Unobligated budgetary resources			
Available	\$ 7,467	\$ 16,124	\$ 23,591
Obligated balance not yet disbursed			
Undelivered orders	21,456	43,208	64,664
Accounts payable and deposit fund liabilities	4,819	18,045	22,864
Budgetary resources invested in Treasury securities	-	(67,369)	(67,369)
<b>Total FY 2009 Fund Balance with Treasury</b>	<b>\$ 33,742</b>	<b>\$ 10,008</b>	<b>\$ 43,750</b>

**(4) Investments and Related Interest, Net**

For the year ended September 30, 2010, the NWF received proceeds and realized gains from the redemption of securities of \$1,081,060 and \$69, respectively. For the fiscal year ended September 30, 2009 no securities were sold.

Investments in U.S. Treasury securities held as of September 30 of each year consisted of the following:

	<b>FY 2010</b>	<b>FY 2009</b>
Intragovernmental Non-Marketable Market Based:		
Face Value	\$ 47,578,466	\$ 44,643,341
Unamortized discount, net	(23,056,284)	(21,944,180)
Investments, net	24,522,182	22,699,161
Interest receivable	44,055	50,028
Investments and related interest, net	24,566,237	22,749,189
Unrealized market gains, net	5,890,387	3,690,053
Investments at fair value	<b>\$ 30,456,624</b>	<b>\$ 26,439,242</b>

**UNITED STATES DEPARTMENT OF ENERGY**  
**OFFICE OF CIVILIAN RADIOACTIVE WASTE MANAGEMENT**

Notes to Financial Statements  
September 30, 2010 and September 30, 2009

(Dollars in thousands unless otherwise noted)

**(5) Receivables Due from Utilities**

Owners and generators of civilian SNF and HLW have entered into contracts with the Department for disposal services and for payment of fees to the NWF.

The NWPA specifies two types of fees to be paid to the NWF for disposal services: (a) a one-time charge per kilogram of heavy metal in solidified SNF or HLW existing prior to April 7, 1983; and (b) a one mil per kWh fee on all net electricity generated and sold by civilian nuclear power reactors on and after April 7, 1983. The Secretary of Energy shall annually review the adequacy of the fees established. In the event the Secretary of Energy determines either insufficient or excess revenue is being collected, the Secretary of Energy shall propose an adjustment to the fee to ensure full cost recovery. The kWh fees are due when billed. The contracts between the Department and the owners and generators of the waste provide three options for payment of the one-time spent fuel fee, one of which must have been selected by June 30, 1985, or within two years of contract execution. The options were:

1. Payment of the amount due, plus interest earned from April 7, 1983, in 40 quarterly installments with the final payment due on or before the first scheduled delivery of SNF to the Department;
2. Payment of the amount due, plus interest from April 7, 1983, in a single payment anytime prior to the first delivery of SNF to the Department; or
3. Payment of the amount due any time prior to June 30, 1985, or two years after contract execution, in the form of a single payment, with no interest due.

Under options (1) and (2), interest accrues from April 7, 1983, to date of first payment at the 13-week U.S. Treasury bill rate compounded quarterly. Under option (1), beginning with the first payment, interest is calculated at the 10-year Treasury note rate in effect at the time.

**UNITED STATES DEPARTMENT OF ENERGY  
OFFICE OF CIVILIAN RADIOACTIVE WASTE MANAGEMENT**

Notes to Financial Statements  
September 30, 2010 and September 30, 2009

(Dollars in thousands unless otherwise noted)

**(5) Receivables Due from Utilities (continued)**

In fiscal years 2010 and 2009, there were no payments or adjustments of one-time spent fuel fees by owners and generators of civilian SNF and HLW.

Accounts receivables from public and intragovernmental utilities at September 30 of each year were as follows:

	<b>FY 2010</b>	<b>FY 2009</b>
Accounts receivable:		
Accounts receivable - intragovernmental utilities		
Kilowatt hour fees	\$ 12,237	\$ 13,438
Accounts receivable - public utilities		
Kilowatt hour fees	169,184	170,017
One-time spent nuclear fuel fees:		
Accounts receivable - one-time spent nuclear fuel fees		
Option (1)	143,531	143,531
Option (2)	736,958	736,958
Total accounts receivable one-time spent nuclear fuel fees	880,489	880,489
Accrued interest on one-time spent nuclear fuel fees:		
Option (1)	384,636	383,967
Option (2)	1,972,935	1,969,568
Total accrued interest on one-time spent nuclear fuel fees	2,357,571	2,353,535
Total accounts receivable - public utilities	3,407,244	3,404,041
Total accounts receivable - utilities	\$ 3,419,481	\$ 3,417,479

**6) General Property, Plant, and Equipment, Net**

General property, plant, and equipment and related accumulated depreciation consisted of the following as of September 30, 2010 and 2009:

	<b>FY 2010</b>	<b>FY 2009</b>
General property, plant, and equipment	\$ 29,002	\$ 41,034
Less accumulated depreciation	(28,422)	(34,866)
General property, plant, and equipment, net	\$ 580	\$ 6,168

**UNITED STATES DEPARTMENT OF ENERGY  
OFFICE OF CIVILIAN RADIOACTIVE WASTE MANAGEMENT**

Notes to Financial Statements  
September 30, 2010 and September 30, 2009

(Dollars in thousands unless otherwise noted)

**(7) Transactions with the Department and Other Federal Government Agencies**

The NWPA established OCRWM within the Department to carry out the provisions of the NWPA and created the Nuclear Waste Fund in the U.S. Treasury. The investment and borrowing powers of the NWF are limited to transactions with the U.S. Treasury. In discharging its obligations under the NWPA, the Department contracts for services with numerous contractors including other Federal Government agencies. Further, significant administrative services are provided by the Department.

As of September 30, 2010 and 2009, OCRWM owed other Federal Government agencies \$1,325 and \$4,066, respectively, for services and costs provided to OCRWM. For the years ended September 30, 2010 and 2009, OCRWM incurred costs of \$17,426 and \$24,745, respectively, for services and costs provided by other Federal Government agencies. In addition to these incurred costs, OCRWM made the following Congressional authorized transfers from the NWF to the following entities:

	<b>FY 2010</b>	<b>FY 2009</b>
Nuclear Regulatory Commission	\$ 29,000	\$ 49,000
Nuclear Waste Technical Review Board	3,891	3,811
	\$ 32,891	\$ 52,811

OCRWM has entered into Memoranda of Agreement (MOA) with the Department's Office of Environmental Management and the Department's Office of Naval Nuclear Propulsion. The MOA established the terms and conditions for acceptance of Department-owned SNF and HLW (Defense Waste) for disposal. Those estimated liabilities are included in the TSLCC that is used to calculate the estimate of the Department's share of total current and future Program costs for Defense Waste. The Department has paid amounts in excess of its estimated share of costs and as a result has no liability to OCRWM as of September 30, 2010 and 2009.

The Department's Defense Waste total cost share as of September 30, 2010 is estimated to be \$2,421,504 including interest amounting to \$672,737 based on the methodology published in the Federal Register in August 1987. As of September 30, 2010 and September 30, 2009, \$614,076 and \$590,555, respectively, was included in intragovernmental deferred revenue representing the Department's Defense expenditures in excess of the Department's cost share to-date.

**UNITED STATES DEPARTMENT OF ENERGY**  
**OFFICE OF CIVILIAN RADIOACTIVE WASTE MANAGEMENT**

Notes to Financial Statements  
September 30, 2010 and September 30, 2009

(Dollars in thousands unless otherwise noted)

**(8) Liabilities Not Covered by Budgetary Resources**

A summary of liabilities not covered by budgetary resources as of September 30, 2010 and 2009 is as follows:

	<b>FY 2010</b>	<b>FY 2009</b>
Liabilities not covered by budgetary resources:		
Intragovernmental		
Deferred revenue (Note 10)	\$ 614,076	\$ 590,555
Non-Intragovernmental		
Deferred revenue (Note 10)	27,358,294	25,561,371
Pension and actuarial liabilities	9,584	9,099
Other liabilities	1,661	3,024
Estimated liability for waste acceptance obligation (Note 9)	15,382,186	13,147,213
Total liabilities not covered by budgetary resources	43,365,801	39,311,262
Liabilities covered by budgetary resources:		
Intragovernmental		
Accounts payable	1,325	4,066
Other liabilities	429	458
Non-Intragovernmental		
Accounts payable	5,808	15,627
Other liabilities	1,302	5,121
Total liabilities covered by budgetary resources	8,864	25,272
Total Liabilities	\$ 43,374,665	\$ 39,336,534

**(9) Commitments and Contingencies**

*Spent Nuclear Fuel Litigation*

In accordance with the Nuclear Waste Policy Act of 1982 (NWPA), DOE entered into contracts with more than 45 utilities in which, in return for payment of fees into the Nuclear Waste Fund, the Department agreed to begin disposal of spent nuclear fuel (SNF) by January 31, 1998. Because DOE has no facility available to receive SNF under the NWPA, DOE 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, twelve suits have been settled involving utilities that collectively produce about 47 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 \$776 million to the settling utilities for delay damages they have incurred through September 30, 2010 and will make annual payments to them for future costs as they are incurred. In addition, six cases have been resolved by final judgments: a judgment of \$35 million and a judgment of \$30 million that were not appealed and paid by the Judgment Fund in 2006 and 2010 respectively; and four final judgments awarding no damages affirmed by the appellate court. Through September 30, 2010, the Judgment Fund had made total payments of \$841 million. The Department's SNF 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 SNF. The Department believes its assumptions and methodology provide a reasonable basis for the contingent liability estimate.

**UNITED STATES DEPARTMENT OF ENERGY**  
**OFFICE OF CIVILIAN RADIOACTIVE WASTE MANAGEMENT**

Notes to Financial Statements  
September 30, 2010 and September 30, 2009

(Dollars in thousands unless otherwise noted)

Fifty 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 39 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.

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. Furthermore, in fiscal year 2009 the President and the Secretary announced that the repository at Yucca Mountain will not be opened and that a Blue Ribbon Commission would be established to evaluate alternatives. The Blue Ribbon Commission was established in January 2010. Future determinations on how the Department will meet its obligations under the standard contracts could have a material effect on the spent nuclear fuel litigation liability.

Under current law, any damages or settlements in this litigation will be paid out of the Judgment Fund, 31 U.S.C. 1304, which the Department will not be required to reimburse. The Department's contingent liability estimate for SNF litigation as of September 30, 2010 and 2009 of \$15.4 billion and \$13.1 billion, respectively, is reported net of amounts paid by the Judgment Fund.

*Litigation arising from the Administration's Decision to Abandon the Yucca Mountain Repository Licensing*

Actions have been filed relating to the Department's decision to withdraw with prejudice its pending application before the Nuclear Regulatory Commission (NRC) for a construction authorization to build a repository at Yucca Mountain, NV. One of these actions was filed with the NRC challenging the Department's motion to withdraw with prejudice the license application for construction of Yucca Mountain. The other six actions were filed in the U.S. Court of Appeals for the District of Columbia.

Four petitions for review were filed in the U.S. Court of Appeals for the District of Columbia Circuit relating to the Department's withdrawal motion filed with the NRC, which the court later consolidated for future litigation. The petitioners allege they suffer harm so long as high level nuclear waste is stored at DOE facilities located in the States of South Carolina and Washington (the Savannah River and Hanford facilities, respectively). They allege that, if a permanent geologic repository at Yucca Mountain, Nevada, were constructed and operated, the waste stored in South Carolina and Washington would eventually be transported to, and disposed of in, the Yucca Mountain repository.

The NRC's hearing tribunal, the Atomic Safety and Licensing Board, issued an order that denied DOE's motion to withdraw its license application. In June, 2010, the Commission, the body with final authority over NRC decision-making, invited briefing from the Department and others on whether it should review and reverse, or uphold, the Board's decision. That briefing is complete. An unfavorable ruling by the Commission would require the Department, together with the Department of Justice, to consider further review. The Department might be required to resume the licensing process before the NRC, which would require significant funds and hiring of personnel.

In the D.C. Circuit actions, the government's response brief was due July 28, 2010, but that same day, the court granted the government's motion to vacate the briefing schedule until resolution of the administrative litigation pending before the NRC. Accordingly, the government did not file its brief and this litigation will be stayed until after the NRC rules in the administrative proceeding described above. If the court issues an adverse ruling in this

**UNITED STATES DEPARTMENT OF ENERGY  
OFFICE OF CIVILIAN RADIOACTIVE WASTE MANAGEMENT**

Notes to Financial Statements  
September 30, 2010 and September 30, 2009

(Dollars in thousands unless otherwise noted)

case, the Department might be required to resume the licensing process before the NRC, which would require significant funds and hiring of personnel to ensure compliance with an unfavorable court ruling.

Two additional matters related to the Yucca Mountain license withdrawal seek to review, remand or vacate the Department's decision not to suspend the utility quarterly payments into the Nuclear Waste Fund until there is a final program to implement spent nuclear waste disposal and not to undertake a prompt review of the fee adequacy in light of the termination of the Yucca Mountain licensing. The parties have filed their preliminary briefs, final briefs were due October 18, 2010 and oral argument is set for December 6, 2010. An adverse decision in this matter could disallow the Department from collecting utility nuclear waste disposal fee payments for the Nuclear Waste Fund. Additionally, an adverse ruling could likely lead to additional litigation as those nuclear utilities not parties to the litigation could sue the Department for failure to collect the nuclear waste disposal fee as required by section 302 of the Nuclear Waste Policy Act.

**(10) Deferred Revenue**

As described in Note 2, all fees, both kWh fees and Defense high-level radioactive waste fees, as well as the related interest and investment income, are recognized as revenue to the extent of expenses incurred. Amounts in excess of current expenses are deferred. Deferred revenue at September 30, 2010 and 2009 was as follows:

	<b>FY 2010</b>	<b>FY 2009</b>
Intragovernmental		
Fees billed:		
One-time spent nuclear fuel fees:		
kWh fees	\$ 50,846	\$ 50,063
Defense high-level waste fees	65,893	132,410
Interest:		
Income on investments	1,193,441	1,053,749
Non-intragovernmental		
Fees billed:		
kWh fees	701,695	720,943
Interest:		
One-time spent nuclear fuel fees	4,036	13,162
Other revenue	69	-
Total revenues	2,015,980	1,970,327
Less earned revenue	(195,536)	(325,274)
Change in deferred revenue	1,820,444	1,645,053
Deferred revenue - beginning balance	26,151,926	24,506,873
Deferred revenue - ending balance	\$ 27,972,370	\$ 26,151,926

Other revenue consists primarily of net gains on the sale of investments.

**UNITED STATES DEPARTMENT OF ENERGY  
OFFICE OF CIVILIAN RADIOACTIVE WASTE MANAGEMENT**

Notes to Financial Statements  
September 30, 2010 and September 30, 2009

(Dollars in thousands unless otherwise noted)

**(11) Earmarked Funds**

	Earmarked Funds	All Other Funds	FY 2010	Earmarked Funds	All Other Funds	FY 2009
<b>Balance Sheet</b>						
<b>Assets</b>						
Fund Balance with Treasury	\$ 4,410	\$ 62,866	\$ 67,276	\$ 10,008	\$ 33,742	\$ 43,750
Investments, Net	24,566,237	-	24,566,237	22,749,189	-	22,749,189
Accounts Receivable	3,419,481	-	3,419,481	3,417,479	-	3,417,479
General Property, Plant, and Equipment, Net	263	317	580	5,945	223	6,168
Other Assets	336	-	336	1,659	-	1,659
	<u>\$ 27,990,727</u>	<u>\$ 63,183</u>	<u>\$ 28,053,910</u>	<u>\$ 26,184,280</u>	<u>\$ 33,965</u>	<u>\$ 26,218,245</u>
<b>Liabilities and Net Position</b>						
Accounts Payable	\$ 5,697	\$ 1,436	\$ 7,133	\$ 14,875	\$ 4,818	\$ 19,693
Deferred Revenue	27,972,054	316	27,972,370	26,151,703	223	26,151,926
Pension and Other Actuarial Liabilities	9,584	-	9,584	9,099	-	9,099
Other Liabilities	3,392	-	3,392	8,603	-	8,603
Commitments and Contingencies	-	15,382,186	15,382,186	-	13,147,213	13,147,213
Unexpended Appropriations	-	61,431	61,431	-	28,924	28,924
Cumulative Results of Operations	-	(15,382,186)	(15,382,186)	-	(13,147,213)	(13,147,213)
<b>Total Liabilities and Net Position</b>	<u>\$ 27,990,727</u>	<u>\$ 63,183</u>	<u>\$ 28,053,910</u>	<u>\$ 26,184,280</u>	<u>\$ 33,965</u>	<u>\$ 26,218,245</u>
<b>Statement of Net Costs</b>						
Total First Repository and Other Program Costs	\$ 130,919	\$ 65,800	\$ 196,719	\$ 194,537	\$ 132,501	\$ 327,038
Less Earned Revenues	(130,919)	(64,617)	(195,536)	(194,537)	(130,737)	(325,274)
Net First Repository Costs	-	1,183	1,183	-	1,764	1,764
Estimated liability for waste acceptance obligations	-	2,509,557	2,509,557	-	1,020,315	1,020,315
Net cost of operations	<u>\$ -</u>	<u>\$ 2,510,740</u>	<u>\$ 2,510,740</u>	<u>\$ -</u>	<u>\$ 1,022,079</u>	<u>\$ 1,022,079</u>
<b>Statement of Changes in Net Position</b>						
Beginning Balance - Cumulative Results of Operations	\$ -	\$ (13,147,213)	\$ (13,147,213)	\$ -	\$ (12,335,084)	\$ (12,335,084)
Imputed Financing from Costs Absorbed by Others	-	275,767	275,767	-	209,950	209,950
Net Cost of Operations	-	(2,510,740)	(2,510,740)	-	(1,022,079)	(1,022,079)
Ending Balance - Cumulative Results of Operations	<u>\$ -</u>	<u>\$ (15,382,186)</u>	<u>\$ (15,382,186)</u>	<u>\$ -</u>	<u>\$ (13,147,213)</u>	<u>\$ (13,147,213)</u>
Beginning Balance - Unexpended Appropriations	\$ -	\$ 28,924	\$ 28,924	\$ -	\$ 18,276	\$ 18,276
Appropriations Received	-	98,400	98,400	-	143,000	143,000
Other Adjustments	-	-	-	-	-	-
Appropriations Used	-	(65,893)	(65,893)	-	(132,352)	(132,352)
Ending Balance - Unexpended Appropriations	<u>-</u>	<u>61,431</u>	<u>61,431</u>	<u>-</u>	<u>28,924</u>	<u>28,924</u>
Total Net Position	<u>\$ -</u>	<u>\$ (15,320,755)</u>	<u>\$ (15,320,755)</u>	<u>\$ -</u>	<u>\$ (13,118,289)</u>	<u>\$ (13,118,289)</u>

**Explanation of Differences between the Statement of Budgetary Resources and the Budget of the United States Government**

The OCRWM had no differences between the Statement of Budgetary Resources and the Budget of the United States as of September 30, 2009. The statement can be reconciled to the President's budget by combining both of the budgets for Defense Nuclear Waste Disposal (89-X-0244) and Nuclear Waste Disposal (89-X-5227). The reconciliation as of September 30, 2010 is not presented, because the submission of the FY 2012 budget occurs after publication of these financial statements. The OCRWM's Budget Appendix can be found under the Department of Energy on the OMB website (<http://www.whitehouse.gov/omb/budget>) and will be available in early February 2011.

**UNITED STATES DEPARTMENT OF ENERGY**  
**OFFICE OF CIVILIAN RADIOACTIVE WASTE MANAGEMENT**

Notes to Financial Statements  
September 30, 2010 and September 30, 2009

(Dollars in thousands unless otherwise noted)

**(12) Reconciliation of Net Cost of Operations to Budget**

The objective of this information is to provide an explanation of the differences between budgetary and financial (proprietary) accounting. This is accomplished by means of a reconciliation of budgetary obligations and non-budgetary resources available to the reporting entity with its net cost of operations.

	FY 2010	FY 2009
<b>RESOURCES USED TO FINANCE ACTIVITIES:</b>		
Budgetary Resources Obligated:		
Obligations Incurred	\$ 165,676	\$ 273,690
Less: Spending Authority from Offsetting Collections and Recoveries	-	(3)
Obligations, Net of Offsetting Collections and Recoveries	<u>165,676</u>	<u>273,687</u>
Offsetting Receipts:		
Fees for Disposal of Spent Nuclear Fuel	(754,373)	(770,432)
Earnings on Investments	<u>(1,180,441)</u>	<u>(1,096,272)</u>
Total Offsetting Receipts	<u>(1,934,814)</u>	<u>(1,866,704)</u>
Net Obligations	<u>(1,769,138)</u>	<u>(1,593,017)</u>
Other Resources:		
Imputed Financing from Costs Absorbed by Others	275,767	209,950
Other:		
Offsetting Receipts, Deferred	2,848,533	2,591,449
Adjustment for Department of Energy Appropriation	<u>(65,893)</u>	<u>(132,352)</u>
Total Other	<u>2,782,640</u>	<u>2,459,097</u>
Net Other Resources Used to Finance Activities	<u>3,058,407</u>	<u>2,669,047</u>
Total Resources Used to Finance Activities	<u>1,289,269</u>	<u>1,076,030</u>
<b>RESOURCES USED TO FINANCE ITEMS NOT PART OF THE NET COST OF OPERATIONS:</b>		
Change in Resources Obligated for Goods/Services/Benefits Ordered But Not Yet Provided	(5,702)	1,707
Resources that Finance the Acquisition of Assets	<u>(99)</u>	<u>124</u>
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	<u>(5,801)</u>	<u>1,831</u>
Total Resources Used to Finance the Net Cost of Operations	<u>1,283,468</u>	<u>1,077,861</u>
<b>NET COST ITEMS THAT DO NOT REQUIRE OR GENERATE RESOURCES IN CURRENT PERIOD:</b>		
Increases in Unfunded Liability Estimates	2,231,931	808,104
Components Not Requiring or Generating Resources:		
Depreciation and Amortization	(1,028,431)	(864,515)
Revaluation of Assets and Liabilities	1,280	647
Other	<u>22,492</u>	<u>(18)</u>
Total Components Not Requiring or Generating Resources	<u>(1,004,659)</u>	<u>(863,886)</u>
Total Net Cost Items That Do Not Require or Generate Resources in Current Period	<u>1,227,272</u>	<u>(55,782)</u>
<b>NET COST OF OPERATIONS</b>	<u>\$ 2,510,740</u>	<u>\$ 1,022,079</u>

**UNITED STATES DEPARTMENT OF ENERGY  
OFFICE OF CIVILIAN RADIOACTIVE WASTE MANAGEMENT**

Required Supplementary Stewardship Information for Research and Development for the Fiscal Year ending  
September 30, 2010 – (Unaudited - See Accompanying Auditors' Report)

(Dollars in thousands unless otherwise noted)

Expenses for research and development programs applicable to the Nuclear Waste Fund to conduct activities on the long-term storage of high-level nuclear waste at a permanent underground repository were as follows:

	<b>Direct Cost</b>	<b>Depreciation &amp; Other Managerial Cost</b>	<b>Total Cost</b>
<b>FY 2010 APPLIED</b>			
Environmental Quality	\$189	\$63	\$252
<b>FY 2009 APPLIED</b>			
Environmental Quality	\$1,647	\$66	\$1,713
<b>FY 2008 APPLIED</b>			
Environmental Quality	\$8,364	\$93	\$8,457
<b>FY 2007 APPLIED</b>			
Environmental Quality	\$172,815	\$1,563	\$174,378
<b>FY 2006 APPLIED</b>			
Environmental Quality	\$259,325	\$3,031	\$262,356

**UNITED STATES DEPARTMENT OF ENERGY  
OFFICE OF CIVILIAN RADIOACTIVE WASTE MANAGEMENT**

Supplementary Information - Schedule I  
Schedule of Cumulative Net First and Second Repository Costs for the  
Twenty Eight Years Ended September 30, 2010

(Dollars in thousands unless otherwise noted)

First Repository Costs	\$ 7,486,772
All Other Program Costs:	
Program Support	2,142,028
Transfers of Appropriations	639,634
Waste Acceptance, Storage and Transportation	756,517
Imputed and Other Costs	152,506
Total All Other Program Costs	3,690,685
Second Repository Costs	108,896
Total First and Second Repository Costs and Other Program Costs	11,286,353
Less Earned Revenue	(11,267,817)
Cumulative Net First and Second Repository Costs	\$ 18,536

**UNITED STATES DEPARTMENT OF ENERGY  
OFFICE OF CIVILIAN RADIOACTIVE WASTE MANAGEMENT**

Supplementary Information - Schedule II  
Schedule of Cumulative Revenues and Deferred Revenue as of and for the  
Twenty Eight Years Ended September 30, 2010

(Dollars in thousands unless otherwise noted)

Intragovernmental:		
Fees billed:		
kWh fees		\$ 815,080
One-time spent nuclear fuel fees		174,598
Defense high-level waste fees		2,535,729
Defense share advance payments		534,412
Interest:		
Income on investments		13,479,920
Defense high-level waste fees		638,232
Non-intragovernmental:		
Fees billed:		
kWh fees:		15,793,814
One-time spent nuclear fuel fees		2,174,802
Interest:		
One-time spent nuclear fuel fees		2,387,350
Other revenue		706,250
Total revenues		<u>39,240,187</u>
Less earned revenue		<u>(11,267,817)</u>
Deferred revenue		<u><u>\$ 27,972,370</u></u>