



U.S. Department of Energy
Office of Inspector General
Office of Audits and Inspections

Audit Report

The Department of Energy's Nuclear
Waste Fund's Fiscal Year 2011
Financial Statements



Department of Energy
Washington, DC 20585

November 21, 2011

MEMORANDUM FOR THE DIRECTOR, OFFICE OF STANDARD CONTRACT
MANAGEMENT, OFFICE OF GENERAL COUNSEL

A handwritten signature in blue ink, appearing to read "Rickey R. Hass".

FROM: Rickey R. Hass
Deputy Inspector General
for Audits and Inspections
Office of Inspector General

SUBJECT: INFORMATION: Report on "The Department of Energy's Nuclear Waste
Fund's Fiscal Year 2011 Financial Statements"

The attached report presents the results of the independent certified public accountants' audit of the Department of Energy's Nuclear Waste Fund's (Fund) Fiscal Year 2011 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 the Fund'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 the Fund's financial statements.

KPMG concluded that the financial statements present fairly, in all material respects, the Fund's financial position as of September 30, 2011, its net costs, changes in net position, and budgetary resources in conformity with United States generally accepted accounting principles.

The auditors' review of the Fund'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.

Attachment

cc: Acting Chief Financial Officer, CF-1
Director, Office of Financial Control and Reporting, CF-12
Director, Office of Risk Management and Financial Policy, CF-50
Assistant Director, Office of Risk Management and Financial Policy, CF-50
Audit Resolution Specialist, Office of Risk Management and Financial Policy, CF-50
Team Leader, Office of Risk Management and Financial Policy, CF-50

Audit Report: OAS-FS-12-03

**UNITED STATES DEPARTMENT OF ENERGY
NUCLEAR WASTE FUND
Annual Financial Report
Years Ended September 30, 2011 and 2010**

November 10, 2011

**UNITED STATES DEPARTMENT OF ENERGY
NUCLEAR WASTE FUND**

**Annual Financial Report
Years Ended September 30, 2011 and 2010**

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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). 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 was completed and in 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. On January 29, 2010, at the direction of the President, the Secretary announced the formation of the Blue Ribbon Commission 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. 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 filed a motion to withdraw with prejudice the Yucca Mountain License Application pending before the Atomic Safety and License Board (ASLB) of the U.S. Nuclear Regulatory Commission (NRC). On June 29, 2010, the ASLB issued an order denying the Department's motion to withdraw the License Application, which the Department appealed to the NRC, the body with final authority over NRC decision-making. On October 1, 2010 the Department shifted OCRWM program responsibilities to various Departmental Program Secretarial Offices.

Funds remaining from OCRWM were used between October 1, 2010 and September 30, 2011, to continue the management of the Nuclear Waste Fund (NWF), litigation activities, and for additional closure activities. The funds are managed by the Office of Nuclear Energy.

Fiscal Year 2011 and 2010 Financial Performance

The Nuclear Waste Fund (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 Nuclear Waste Policy Act costs are invested in U.S. Treasury securities. The Defense Nuclear Waste Disposal Act (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, 2011, cumulative revenue from fees and the DNWDA, totaled approximately \$22.802 billion; and cumulative interest earnings and other revenue totaled approximately \$18.508 billion. Cumulative expenditures by the Department 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 \$11.339 billion.

As of September 30, 2011, the U.S. Treasury securities held by the Department related to the NWF had a market value of \$35.143 billion compared to \$30.457 billion at the end of fiscal year FY2010. Investment income and net gains on the sale of securities totaled \$1.293 billion and \$1.193 billion for FY 2011 and FY 2010, 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 Performance and Accountability Report. A significant issue, Nuclear Waste Disposal, was reported by management in FY 2011 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 the NWPA was enacted in 1982.

Actions Taken and Remaining

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 a final report by January 2012.



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

Independent Auditors' Report

United States Department of Energy's Nuclear Waste Fund and
The Inspector General, United States Department of Energy:

We have audited the accompanying balance sheets of the United States (U.S.) Department of Energy's (Department or DOE) Nuclear Waste Fund (Fund), as of September 30, 2011 and 2010, and the related statements of net cost, changes in net position, and budgetary resources, for the years then ended (hereinafter referred to as "financial statements"). The objective of our audits was to express an opinion on the fair presentation of these financial statements. In connection with our fiscal year 2011 audit, we also considered the Fund's internal control over financial reporting and tested the Fund'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 the Fund's financial statements as of and for the years ended September 30, 2011 and 2010, are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles.

Our report emphasizes the Department 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 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 Number (No.) 07-04, *Audit Requirements for Federal Financial Statements*, as amended.

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

Opinion on the Financial Statements

We have audited the accompanying balance sheets of the Fund as of September 30, 2011 and 2010, and the related statements of net cost, changes in net position, and budgetary resources for the years then ended.



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In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of September 30, 2011 and 2010, 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 9 to the financial statements, the Department 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. The Fund has recorded liabilities for likely damages of \$19.1 billion, and \$15.4 billion as of September 30, 2011 and 2010, 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, 2011, 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 respects 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 the Fund as of and for the years ended September 30, 1983 through September 30, 2009 (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 the Fund's financial statements as of and for the years ended September 30, 1983 through September 30, 2009 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 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.

Our consideration of 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 internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. In our fiscal year 2011 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, as amended.

* * * * *

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 the Fund.

Auditors' Responsibilities. Our responsibility is to express an opinion on the fiscal year 2011 and 2010 financial statements of the Fund 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, as amended. Those standards and OMB Bulletin No. 07-04, as amended, 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 the Fund'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.

In planning and performing our fiscal year 2011 audit, we considered the Fund's internal control over financial reporting by obtaining an understanding of the Fund'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 the Fund's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control over financial reporting. Furthermore, we did not test all internal 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 the Fund's fiscal year 2011 financial statements are free of material misstatement, we performed tests of the Fund's compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the



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determination of the financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 07-04, as amended. 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 the Fund. 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.

This report is intended solely for the information and use of the Fund'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, 2011

UNITED STATES DEPARTMENT OF ENERGY

NUCLEAR WASTE FUND

Balance Sheets

As of September 30, 2011 and 2010

(Dollars in thousands)

	FY 2011	FY 2010
ASSETS		
Intragovernmental		
Fund Balance with Treasury ^(Note 3)	\$ 42,688	\$ 67,276
Investments and Related Interest, Net ^(Note 4)	26,728,279	24,566,237
Accounts Receivable:		
Utilities ^(Note 5)	13,439	12,237
Other Assets	772	274
Total Intragovernmental Assets	<u>26,785,178</u>	<u>24,646,024</u>
Accounts Receivable:		
Utilities ^(Note 5)	3,246,550	3,407,244
Prepaid Pension Asset, Net	1,653	-
General Property, Plant, and Equipment, Net ^(Note 6)	461	580
Other Assets	2	62
Total Assets	<u>\$ 30,033,844</u>	<u>\$ 28,053,910</u>
LIABILITIES		
Intragovernmental ^(Note 8) :		
Accounts Payable	\$ 854	\$ 1,325
Deferred Revenue ^(Notes 7 and 10)	622,801	614,076
Other Liabilities	199	429
Total Intragovernmental Liabilities	<u>623,854</u>	<u>615,830</u>
Accounts Payable	3,534	5,808
Deferred Revenue ^(Note 10)	29,367,286	27,358,294
Pension and Other Actuarial Liabilities, Net	524	9,584
Other Liabilities	26	2,963
Commitments and Contingencies ^(Note 9)	19,112,937	15,382,186
Total Liabilities ^(Note 8)	<u>49,108,161</u>	<u>43,374,665</u>
NET POSITION		
Unexpended Appropriations - Other Funds	38,620	61,431
Cumulative Results of Operations - Other Funds	(19,112,937)	(15,382,186)
Total Net Position	<u>(19,074,317)</u>	<u>(15,320,755)</u>
Total Liabilities and Net Position	<u>\$ 30,033,844</u>	<u>\$ 28,053,910</u>

The accompanying notes are an integral part of these statements.

UNITED STATES DEPARTMENT OF ENERGY
NUCLEAR WASTE FUND
Statements of Net Costs
For the Years Ended September 30, 2011 and 2010
(Dollars in thousands)

	FY 2011	FY 2010
First Repository Costs	\$ 11,675	\$ 47,078
All Other Program Costs:		
Program Support	21,075	52,176
Transfers of Appropriations ^(Note 7)	13,863	32,891
Waste Acceptance, Storage and Transportation	5,631	63,391
Imputed and Other Costs	-	1,183
Total All Other Program Costs	40,569	149,641
Total First Repository and Other Program Costs	52,244	196,719
Less Earned Revenues ^(Note 10)	(52,244)	(195,536)
Net First Repository Costs & Other Program Costs	-	1,183
Estimated liability for waste acceptance obligations	4,529,283	2,509,557
Net Cost of Operations	\$ 4,529,283	\$ 2,510,740

The accompanying notes are an integral part of these statements.

UNITED STATES DEPARTMENT OF ENERGY
NUCLEAR WASTE FUND
Statements of Changes in Net Position
For the Years Ended September 30, 2011 and 2010
(Dollars in thousands)

	FY 2011	FY 2010
CUMULATIVE RESULTS OF OPERATIONS:		
Beginning Balance	\$ (15,382,186)	\$ (13,147,213)
Other Financing Sources (Non-Exchange):		
Imputed Financing from Costs Absorbed by Others	798,532	275,767
Total Other Financing Sources	798,532	275,767
Net Cost of Operations	(4,529,283)	(2,510,740)
Net Change	(3,730,751)	(2,234,973)
Ending Balance - Cumulative Results of Operations	\$ (19,112,937)	\$ (15,382,186)
UNEXPENDED APPROPRIATIONS:		
Beginning Balance	\$ 61,431	\$ 28,924
Budgetary Financing Sources Related to Appropriations:		
Appropriations Received ^(Note 2)	-	98,400
Appropriations Used	(22,811)	(65,893)
Total Budgetary Financing Sources Related to Appropriations	(22,811)	32,507
Ending Balance Unexpended Appropriations	38,620	61,431
Total Net Position	\$ (19,074,317)	\$ (15,320,755)

The accompanying notes are an integral part of these statements.

UNITED STATES DEPARTMENT OF ENERGY
NUCLEAR WASTE FUND
Statements of Budgetary Resources
For the Years Ended September 30, 2011 and 2010
(Dollars in thousands)

	FY 2011	FY 2010
BUDGETARY RESOURCES		
Unobligated balance, Brought Forward, October 1	\$ 54,715	\$ 23,591
Recoveries of Prior Year Unpaid Obligations	523	-
Budget Authority:		
Appropriations ^(Note 2)	-	196,800
Temporarily not Available Pursuant to Public Law	(2,800)	-
Total Budgetary Resources	<u>\$ 52,438</u>	<u>\$ 220,391</u>
STATUS OF BUDGETARY RESOURCES		
Obligations Incurred:		
Direct	\$ 12,873	\$ 83,325
Exempt from Apportionment	15,156	82,351
Total Obligations Incurred	28,029	165,676
Unobligated Balance:		
Apportioned	10,191	22,541
Exempt from Apportionment	14,218	32,174
Subtotal	24,409	54,715
Total Status of Budgetary Resources	<u>\$ 52,438</u>	<u>\$ 220,391</u>
CHANGE IN OBLIGATED BALANCE		
Obligated Balance, Net:		
Unpaid Obligations, Brought Forward, October 1	\$ 80,387	\$ 87,529
Total Unpaid Obligated Balance, Net, October 1	80,387	87,529
Obligations Incurred	28,029	165,676
Less: Recoveries of Prior Year Unpaid Obligations, Actual	(523)	-
Less: Gross Outlays	(55,333)	(172,818)
Obligated Balance, Unpaid Obligations, Net, End of Period	<u>\$ 52,560</u>	<u>\$ 80,387</u>
NET OUTLAYS		
Gross Outlays	\$ 55,333	\$ 172,818
Less: Distributed Offsetting Receipts	(2,141,453)	(1,934,814)
Net Outlays	<u>\$ (2,086,120)</u>	<u>\$ (1,761,996)</u>

The accompanying notes are an integral part of these statements.

UNITED STATES DEPARTMENT OF ENERGY

NUCLEAR WASTE FUND

Notes to Financial Statements
September 30, 2011 and September 30, 2010

(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 (Department). 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 a final report by January 2012. On February 1, 2010, the President issued the FY 2011 Budget Request with a zero budget request for the Nuclear Waste Fund Appropriation and the Defense Nuclear Waste Disposal Appropriation (formerly known as and reported under the Office of Civilian Radioactive Waste Management (OCRWM)) prior to FY 2011. 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, herein referred to as the Nuclear Waste Fund (NWF).

UNITED STATES DEPARTMENT OF ENERGY

NUCLEAR WASTE FUND

Notes to Financial Statements
September 30, 2011 and September 30, 2010

(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 the NWF and include all activity related to the Nuclear Waste Fund Appropriation and the Defense Nuclear Waste Disposal Appropriation, used for the disposal of SNF and HLW (formerly reported under the Office of Civilian Radioactive Waste Management). The financial statements have been prepared from the books and records of the Department for the NWF in accordance with accounting principles generally accepted in the United States of America as applicable to Federal entities.

Basis of Accounting – The NWF'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. The NWF 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 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 one-time fee (see Note 5) was recorded by the NWF as of April 7, 1983, related to the disposal of SNF generated prior to that date. Fees recognized by the NWF 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. Department 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 the NWF is provided by two separate appropriations as follows:

- For fiscal years 2011 and 2010, Congress appropriated \$0 and \$98,400, respectively, from the Defense Nuclear Waste Disposal Appropriation to be used for nuclear waste disposal activities.
- For fiscal years 2011 and 2010, Congress authorized \$0 and \$98,400, respectively, to be used for nuclear waste disposal activities and remain available until expended. This expenditure authority enables NWF 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 NWF 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
NUCLEAR WASTE FUND**

Notes to Financial Statements
September 30, 2011 and September 30, 2010

(Dollars in thousands unless otherwise noted)

(2) Significant Accounting Policies (continued)

Imputed Financing Sources – In certain instances, operating costs of the NWF 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 NWF's operations are paid by other agencies, NWF 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 – NWF 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 NWF for equipment either on loan from or shared with other programs.

Accounts Receivable – Payment of accounts receivable will not be complete until NWF 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, 2011 or September 30, 2010, as NWF 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 NWF as the result of a transaction or event that has already occurred. However, no liability can be paid by NWF 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.

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(2) Significant Accounting Policies (continued)

Tax Status – NWF, 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, 2011 and September 30, 2010, 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, NWF also contributes the employer’s matching share for Social Security. NWF 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. NWF 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 – NWF follows the requirements of the Financial Accounting Standards Board’s Accounting Standard’s section Codification 715, “*Compensation – Retirement Benefits*” for contractor employees. NWF’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. NWF’s cost under the contract includes reimbursement of annual employer contributions to the pension plans. NWF is the predominant fund for one integrated contractor, and records the net assets or liabilities of that contractor’s pension plans as if it were the plan sponsor.

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(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, 2011 and 2010, are as follows:

As of September 30, 2011	Appropriated Funds	Special Funds	Total
Unobligated budgetary resources			
Available	\$ 10,191	\$ 14,218	\$ 24,409
Obligated balance not yet disbursed			
Undelivered orders	28,429	19,551	47,980
Accounts payable and deposit fund liabilities	2,358	2,222	4,580
Budgetary resources invested in Treasury securities	-	(34,281)	(34,281)
Total FY 2011 Fund Balance with Treasury	\$ 40,978	\$ 1,710	\$ 42,688

As of September 30, 2010	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	-	(67,827)	(67,827)
Total FY 2010 Fund Balance with Treasury	\$ 62,867	\$ 4,409	\$ 67,276

(4) Investments and Related Interest, Net

For the year ended September 30, 2011, the NWF received proceeds and realized gains from the redemption of securities of \$881,963 and \$0, respectively. For the fiscal year ended September 30, 2010 NWF received proceeds and realized gains from the redemption of securities of \$1,081,060 and \$69, respectively.

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

	FY 2011	FY 2010
Intragovernmental Non-Marketable Market Based:		
Face Value	\$ 48,610,652	\$ 47,578,466
Unamortized discount, net	(21,936,844)	(23,056,284)
Investments, net	26,673,808	24,522,182
Interest receivable	54,471	44,055
Investments and related interest, net	26,728,279	24,566,237
Unrealized market gains, net	8,414,650	5,890,387
Investments at fair value	\$ 35,142,929	\$ 30,456,624

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(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.

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(5) Receivables Due from Utilities (continued)

In fiscal year 2011 \$163,102 in payments of one-time spent fuel fees and interest were received. In fiscal year 2010, 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:

	FY 2011	FY 2010
Accounts receivable:		
Accounts receivable - intragovernmental utilities		
Kilowatt hour fees	\$ 13,439	\$ 12,237
Accounts receivable - public utilities		
Kilowatt hour fees	167,568	169,184
One-time spent nuclear fuel fees:		
Accounts receivable - one-time spent nuclear fuel fees		
Option (1)	144,273	143,531
Option (2)	692,672	736,958
Total accounts receivable one-time spent nuclear fuel fees	836,945	880,489
Accrued interest on one-time spent nuclear fuel fees:		
Option (1)	385,112	384,636
Option (2)	1,856,925	1,972,935
Total accrued interest on one-time spent nuclear fuel fees	2,242,037	2,357,571
Total accounts receivable - public utilities	3,246,550	3,407,244
Total accounts receivable - utilities	\$ 3,259,989	\$ 3,419,481

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

General property, plant, and equipment and related accumulated depreciation consisted of the following as of September 30, 2011 and 2010:

	FY 2011	FY 2010
General property, plant, and equipment	\$ 26,919	\$ 29,002
Less accumulated depreciation	(26,458)	(28,422)
General property, plant, and equipment, net	\$ 461	\$ 580

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

The NWPA established the NWF 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, 2011 and 2010, NWF owed other Federal Government agencies \$854 and \$1,325, respectively, for services and costs provided to NWF. For the fiscal years ended September 30, 2011 and 2010, NWF incurred costs of \$5,781 and \$17,426, respectively, for services and costs provided by other Federal Government agencies. In addition to these incurred costs, NWF made the following Congressional authorized transfers from the NWF to the following entities:

	FY 2011	FY 2010
Nuclear Regulatory Commission	\$ 9,980	\$ 29,000
Nuclear Waste Technical Review Board	3,883	3,891
	\$ 13,863	\$ 32,891

NWF 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 NWF as of September 30, 2011 and 2010.

The Department's Defense Waste total cost share as of September 30, 2011 is estimated to be \$2,435,590 including interest amounting to \$672,737 based on the methodology published in the Federal Register in August 1987. As of September 30, 2011 and September 30, 2010, \$622,801 and \$614,076, respectively, was included in intragovernmental deferred revenue representing the Department's Defense expenditures in excess of the Department's cost share to-date.

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(8) Liabilities Not Covered by Budgetary Resources

A summary of liabilities not covered by budgetary resources as of September 30, 2011 and 2010 is as follows:

	FY 2011	FY 2010
Liabilities not covered by budgetary resources:		
Intragovernmental		
Deferred revenue (Note 10)	\$ 622,801	\$ 614,076
Non-Intragovernmental		
Deferred revenue (Note 10)	29,367,286	27,358,294
Pension and Other Actuarial Liabilities, Net	524	9,584
Other liabilities	18	1,661
Estimated liability for waste acceptance obligation (Note 9)	19,112,937	15,382,186
Total liabilities not covered by budgetary resources	49,103,566	43,365,801
Liabilities covered by budgetary resources:		
Intragovernmental		
Accounts payable	854	1,325
Other liabilities	199	429
Non-Intragovernmental		
Accounts payable	3,534	5,808
Other liabilities	8	1,302
Total liabilities covered by budgetary resources	4,595	8,864
Total Liabilities	\$ 49,108,161	\$ 43,374,665

(9) Commitments and 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, 23 suits have been settled involving utilities that collectively produce about 60 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 \$1.354 billion to the settling utilities for delay damages they have incurred through September 30, 2011. In addition, thirteen cases have been resolved by final judgments. Six of those cases resulted in an award of no damages by the trial court and seven cases resulted in a total of \$378 million in damages to be paid for by the Judgment Fund. The Judgment Fund paid \$65 million in prior years for two of those cases while four judgments totaling \$221 million were paid during FY 2011 including one payment for a partial judgment. A \$92 million payment for the thirteenth judgment will occur in FY 2012.

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.

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(9) Commitments and Contingencies (continued)

On March 7, 2011, the Department of Justice (DOJ) notified opposing counsel in the pending SNF cases of the terms and conditions under which DOJ would be willing to settle those cases referred to below as new settlements. The terms and conditions are significantly different from those contained in the pre-2011 settlements. While there are numerous differences between the pre-2011 settlements and New Settlements, the major difference is the use of the SNF acceptance rate published in the 1987 Draft Mission Plan to establish the Government's liability under these settlements, i.e., a 900 metric tons (MTU) annual acceptance rate under the pre-2011 settlements versus a 3000 MTU annual acceptance rate under the New Settlements.

Thirty five 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 forty nine 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 \$20.7 billion. After deducting the amount paid as of September 30, 2011, under these settlements and as a result of final judgments, a total of \$1.6 billion, the remaining liability is estimated to be approximately \$19.1 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. Furthermore, in fiscal year 2009 the President and the Secretary announced that the repository at Yucca Mountain will not be opened and established a Blue Ribbon Commission in January 2010 to evaluate alternatives. Future determinations on how the Department will meet its obligations under the standard contracts could materially decrease or increase the SNF litigation liability.

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

Actions were 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.

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(9) Commitments and Contingencies (continued)

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 of 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. On September 9, 2011, the Commission issued its decision in which the Commission (1) announced it was split evenly on the question whether the NRC's Atomic Safety and Licensing Board had properly refused to allow the Department's motion to withdraw the Yucca Mountain construction license application with prejudice, and (2) unanimously held that "budgetary limitations" required the Board to dispose of pending matters by the end of the 2011 fiscal year and to document the history of the adjudicatory process. On September 30, 2011, the Board issued a memorandum and order suspending the licensing proceeding due to uncertainty regarding the availability of future appropriations from the Nuclear Waste Fund to pay for future proceedings and a lack of staff to continue the proceeding since the President's fiscal year 2012 budget request for Yucca Mountain high-level waste activities did not include a request for any full-time equivalent positions.

In 2010, 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 alleged they suffered 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 alleged 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.

In those actions, the government's response brief was due July 28, 2010, but the same day, the court granted the government's motion to vacate the briefing schedule until resolution of the administrative litigation pending before the NRC. The court later set a briefing schedule and on January 3, 2011, the Government filed its brief. Oral argument was held on March 22, 2011 and on July 1, 2011, the court ruled that because the petitioners' claims were not ripe for adjudication, the court could not decide the claims and dismissed all petitions for lack of jurisdiction.

Two additional matters related to the Yucca Mountain license withdrawal sought 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 petitions were consolidated, briefing concluded and the court set oral argument for December 6, 2010. However, on November 1, 2010 Secretary Chu issued his determination that based on review of the fee adequacy, there was no "reasonable basis at this time" to propose an adjustment to the fee. The government advised the court of this determination, which later cancelled oral argument and dismissed the petition as moot on December 13, 2010.

After the court dismissed the two trade groups' first fee review challenges, in 2011, they filed new petitions that were later consolidated, this time seeking review of the Secretary's November 1, 2010 determination that no adjustment to the fee was required. In these actions, the petitioners and the government have filed their opening briefs; final briefs are due November 10, 2011 and oral argument is set for January 12, 2012.

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(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, 2011 and 2010 was as follows:

	FY 2011	FY 2010
Intragovernmental		
Fees billed:		
One-time spent nuclear fuel fees:		
kWh fees	\$ 47,312	\$ 50,846
Defense high-level waste fees	22,811	65,893
Interest:		
Income on investments	1,292,771	1,193,441
Non-intragovernmental		
Fees billed:		
kWh fees	703,784	701,695
Interest:		
One-time spent nuclear fuel fees	3,283	4,036
Other revenue	-	69
Total revenues	2,069,961	2,015,980
Less earned revenue	(52,244)	(195,536)
Change in deferred revenue	2,017,717	1,820,444
Deferred revenue - beginning balance	27,972,370	26,151,926
Deferred revenue - ending balance	\$ 29,990,087	\$ 27,972,370

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

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(11) Earmarked Funds

	Earmarked Funds	All Other Funds	FY 2011	Earmarked Funds	All Other Funds	FY 2010
Balance Sheet						
Assets						
Fund Balance with Treasury	\$ 1,710	\$ 40,978	\$ 42,688	\$ 4,410	\$ 62,866	\$ 67,276
Investments, Net	26,728,279	-	26,728,279	24,566,237	-	24,566,237
Accounts Receivable	3,259,989	-	3,259,989	3,419,481	-	3,419,481
Prepaid Pension Asset, Net	1,653	-	1,653	-	-	-
General Property, Plant, and Equipment, Net	210	251	461	263	317	580
Other Assets	774	-	774	336	-	336
	<u>\$ 29,992,615</u>	<u>\$ 41,229</u>	<u>\$ 30,033,844</u>	<u>\$ 27,990,727</u>	<u>\$ 63,183</u>	<u>\$ 28,053,910</u>
Liabilities and Net Position						
Accounts Payable	\$ 2,030	\$ 2,358	\$ 4,388	\$ 5,697	\$ 1,436	\$ 7,133
Deferred Revenue	29,989,836	251	29,990,087	27,972,054	316	27,972,370
Pension and Other Actuarial Liabilities	524	-	524	9,584	-	9,584
Other Liabilities	225	-	225	3,392	-	3,392
Commitments and Contingencies	-	19,112,937	19,112,937	-	15,382,186	15,382,186
Unexpended Appropriations	-	38,620	38,620	-	61,431	61,431
Cumulative Results of Operations	-	(19,112,937)	(19,112,937)	-	(15,382,186)	(15,382,186)
Total Liabilities and Net Position	<u>\$ 29,992,615</u>	<u>\$ 41,229</u>	<u>\$ 30,033,844</u>	<u>\$ 27,990,727</u>	<u>\$ 63,183</u>	<u>\$ 28,053,910</u>
Statement of Net Costs						
Total First Repository and Other Program Costs	\$ 29,369	\$ 22,875	\$ 52,244	\$ 130,919	\$ 65,800	\$ 196,719
Less Earned Revenues	(29,369)	(22,875)	(52,244)	(130,919)	(64,617)	(195,536)
Net First Repository Costs	-	-	-	-	1,183	1,183
Estimated liability for waste acceptance obligations	-	4,529,283	4,529,283	-	2,509,557	2,509,557
Net cost of operations	<u>\$ -</u>	<u>\$ 4,529,283</u>	<u>\$ 4,529,283</u>	<u>\$ -</u>	<u>\$ 2,510,740</u>	<u>\$ 2,510,740</u>
Statement of Changes in Net Position						
Beginning Balance - Cumulative Results of Operations	\$ -	\$ (15,382,186)	\$ (15,382,186)	\$ -	\$ (13,147,213)	\$ (13,147,213)
Imputed Financing from Costs Absorbed by Others	-	798,532	798,532	-	275,767	275,767
Net Cost of Operations	-	(4,529,283)	(4,529,283)	-	(2,510,740)	(2,510,740)
Ending Balance - Cumulative Results of Operations	<u>\$ -</u>	<u>\$ (19,112,937)</u>	<u>\$ (19,112,937)</u>	<u>\$ -</u>	<u>\$ (15,382,186)</u>	<u>\$ (15,382,186)</u>
Beginning Balance - Unexpended Appropriations						
Beginning Balance - Unexpended Appropriations	\$ -	\$ 61,431	\$ 61,431	\$ -	\$ 28,924	\$ 28,924
Appropriations Received	-	-	-	-	98,400	98,400
Other Adjustments	-	-	-	-	-	-
Appropriations Used	-	(22,811)	(22,811)	-	(65,893)	(65,893)
Ending Balance - Unexpended Appropriations	<u>-</u>	<u>38,620</u>	<u>38,620</u>	<u>-</u>	<u>61,431</u>	<u>61,431</u>
Total Net Position	<u>\$ -</u>	<u>\$ (19,074,317)</u>	<u>\$ (19,074,317)</u>	<u>\$ -</u>	<u>\$ (15,320,755)</u>	<u>\$ (15,320,755)</u>

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

The NWF had no differences between the Statement of Budgetary Resources and the Budget of the United States as of September 30, 2010. 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, 2011 is not presented, because the submission of the FY 2013 budget occurs after publication of these financial statements. The NWF'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 2012.

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(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 2011	FY 2010
RESOURCES USED TO FINANCE ACTIVITIES:		
Budgetary Resources Obligated:		
Obligations Incurred	\$ 28,029	\$ 165,676
Less: Spending Authority from Offsetting Collections and Recoveries	(523)	-
Obligations, Net of Offsetting Collections and Recoveries	<u>27,506</u>	<u>165,676</u>
Offsetting Receipts:		
Fees for Disposal of Spent Nuclear Fuel	(795,062)	(754,373)
Earnings on Investments	(1,346,391)	(1,180,441)
Total Offsetting Receipts	<u>(2,141,453)</u>	<u>(1,934,814)</u>
Net Obligations	<u>(2,113,947)</u>	<u>(1,769,138)</u>
Other Resources:		
Imputed Financing from Costs Absorbed by Others	798,532	275,767
Other:		
Offsetting Receipts, Deferred	3,243,378	2,848,533
Adjustment for Department of Energy Appropriation	(22,811)	(65,893)
Total Other	<u>3,220,567</u>	<u>2,782,640</u>
Net Other Resources Used to Finance Activities	<u>4,019,099</u>	<u>3,058,407</u>
Total Resources Used to Finance Activities	<u>\$ 1,905,152</u>	<u>\$ 1,289,269</u>
RESOURCES USED TO FINANCE ITEMS NOT PART OF THE NET COST OF OPERATIONS:		
Change in Resources Obligated for Goods/Services/Benefits Ordered But Not Yet Provided	\$ 23,058	\$ (5,702)
Resources that Finance the Acquisition of Assets	59	(99)
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	<u>23,117</u>	<u>(5,801)</u>
Total Resources Used to Finance the Net Cost of Operations	<u>\$ 1,928,269</u>	<u>\$ 1,283,468</u>
NET COST ITEMS THAT DO NOT REQUIRE OR GENERATE RESOURCES IN CURRENT PERIOD:		
Increases in Unfunded Liability Estimates	\$ 3,718,395	\$ 2,231,931
Components Not Requiring or Generating Resources:		
Depreciation and Amortization	(1,024,447)	(1,028,431)
Revaluation of Assets and Liabilities	-	1,280
Other	(92,934)	22,492
Total Components Not Requiring or Generating Resources	<u>(1,117,381)</u>	<u>(1,004,659)</u>
Total Net Cost Items That Do Not Require or Generate Resources in Current Period	<u>2,601,014</u>	<u>1,227,272</u>
NET COST OF OPERATIONS	<u><u>\$ 4,529,283</u></u>	<u><u>\$ 2,510,740</u></u>

**UNITED STATES DEPARTMENT OF ENERGY
NUCLEAR WASTE FUND**

Required Supplementary Stewardship Information for Research and Development for the fiscal years
ending September 30, 2011 – (Unaudited – See Accompanying Auditor’s 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:

	Direct Cost	Depreciation & Other Managerial Cost	Total Cost
FY 2011 APPLIED			
Environmental Quality	\$0	\$0	\$0
FY 2010 APPLIED			
Environmental Quality	\$189	\$63	\$252
FY 2009 APPLIED			
Environmental Quality	\$1,647	\$66	\$1,713
FY 2008 APPLIED			
Environmental Quality	\$8,364	\$93	\$8,457
FY 2007 APPLIED			
Environmental Quality	\$172,815	\$1,563	\$174,378

**UNITED STATES DEPARTMENT OF ENERGY
NUCLEAR WASTE FUND**

Supplementary Information - Schedule I
Schedule of Cumulative Net First and Second Repository Costs for the
Twenty Nine Years Ended September 30, 2011

(Dollars in thousands unless otherwise noted)

First Repository Costs	\$ 7,498,447
All Other Program Costs:	
Program Support	2,163,103
Transfers of Appropriations	653,497
Waste Acceptance, Storage and Transportation	762,148
Imputed and Other Costs	152,506
Total All Other Program Costs	3,731,254
Second Repository Costs	108,896
Total First and Second Repository Costs and Other Program Costs	11,338,597
Less Earned Revenue	(11,320,061)
Cumulative Net First and Second Repository Costs	\$ 18,536

**UNITED STATES DEPARTMENT OF ENERGY
NUCLEAR WASTE FUND**

Supplementary Information - Schedule II
Schedule of Cumulative Revenues and Deferred Revenue as of and for the
Twenty Nine Years Ended September 30, 2011

(Dollars in thousands unless otherwise noted)

Intragovernmental:	
Fees billed:	
kWh fees	\$ 862,392
One-time spent nuclear fuel fees	174,598
Defense high-level waste fees	3,092,952
Interest:	
Income on investments	14,772,691
Defense high-level waste fees	638,232
Non-intragovernmental:	
Fees billed:	
kWh fees:	16,497,598
One-time spent nuclear fuel fees	2,174,802
Interest:	
One-time spent nuclear fuel fees	2,390,633
Other revenue	706,250
Total revenues	<u>41,310,148</u>
Less earned revenue	<u>(11,320,061)</u>
Deferred revenue	<u>\$ 29,990,087</u>

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