



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

Audit Report

Department of Energy's Nuclear Waste Fund's Fiscal Year 2012 Financial Statements

OAS-FS-13-05

November 2012



Department of Energy
Washington, DC 20585

November 28, 2012

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: Audit Report on "Department of Energy's Nuclear
Waste Fund's Fiscal Year 2012 Financial Statement Audit"

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 2012 balance sheet and the related statements of net cost, changes in net position and budgetary resources.

To fulfill the Office of Inspector General's (OIG) 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 OIG 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 OIG 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 financial position of the Fund as of September 30, 2012 and 2011, and its net costs, changes in net position, and budgetary resources for the years then ended, 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 Deputy Chief Financial Officer, CF-2
Director, Office of Financial Control and Reporting, CF-12

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

Annual Financial Report

**As of and for the Years Ended
September 30, 2012 and 2011**

November 13, 2012

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

Annual Financial Report
September 30, 2012 and September 30, 2011

Table of Contents

	Page
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	24
Supplementary Information – Schedule I	25
Schedule of Cumulative Net First and Second Repository Costs	
Supplementary Information – Schedule II	26
Schedule of Cumulative Revenues and Deferred Revenue	

OVERVIEW

(Unaudited – See Accompanying Auditors’ Report)

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 U.S. Nuclear Regulatory Commission (NRC or the Commission) 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 and on February 1, 2010, the President issued the FY 2011 Budget Request with a zero budget request for OCRWM. No funds were requested in the FY 2012 Budget Request. 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 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, 2012 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.

On September 9, 2011, the NRC issued its decision in which the Commission (1) announced it was split evenly on the question whether the NRC’s ASLB 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 ASLB 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 NWF to pay for future proceeding 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. That matter remains suspended.

As discussed later, the BRC submitted a final report in January 2012 with its recommendations on these issues for consideration by the Administration and Congress, as well as interested state, tribal and local governments, other stakeholders, and the public.

Fiscal Year 2012 and 2011 Financial Performance

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 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, 2012, cumulative revenue from fees and the DNWDA, totaled approximately \$ 24.2 billion; and cumulative interest earnings and other revenue totaled approximately \$19.2 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 \$11.4 billion.

As of September 30, 2012, the U.S. Treasury securities held by the Department related to the NWF had a market value of \$38.7 billion compared to \$35.1 billion at the end of FY2011. Investment income and the net gains from the sale of securities that matured totaled \$1.3 billion and \$1.3 billion for FY 2012 and FY 2011, 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 2012 and FY 2011 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. The Secretary, acting at the direction of the President, established the Blue Ribbon Commission on America's Nuclear Future (the Commission) to conduct a comprehensive review of policies for managing the back end of the nuclear fuel cycle, including all alternatives for the storage, processing, and disposal of civilian and defense used nuclear fuel, high-level waste, and materials derived from nuclear activities. The Commission completed its review and provided the final report to the Secretary in January 2012. The Department is preparing a national strategy for the management and disposition of commercial and defense high-level radioactive materials.

Actions Taken and Remaining

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 produced a final report in January 2012. As a result, the Department is preparing a national strategy for the management and disposition of commercial and defense high-level radioactive materials consistent with the Blue Ribbon Commission's recommendations.



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

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, 2012 and 2011, 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" or "basic 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 2012 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, 2012 and 2011, are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles.

As discussed in our Opinion on the Financial Statements, the Department changed the Fund's presentation for reporting the statement of budgetary resources in fiscal year 2012.

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.



U.S. Department of Energy's
Nuclear Waste Fund
November 13, 2012
Page 2 of 4

Opinion on the Financial Statements

We have audited the accompanying balance sheets of the Fund as of September 30, 2012 and 2011, 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 the Fund as of September 30, 2012 and 2011, 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 2 to the financial statements, the Department changed its presentation for reporting the statement of budgetary resources in fiscal year 2012, based on new reporting requirements under OMB Circular No. A-136, *Financial Reporting Requirements*. As a result, the Department's Nuclear Waste Fund's Statement of Budgetary Resources for fiscal year 2011 has been adjusted to conform to the current year presentation.

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 \$19.7 billion, and \$19.1 billion as of September 30, 2012 and 2011, respectively.

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

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The supplementary information included in Supplementary Information – Schedules I and II for the years ended September 30, 2012, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information – Schedules I and II for the years ended September 30, 2012 is fairly stated in all material respects in relation to the basic financial statements as a whole.



U.S. Department of Energy's
Nuclear Waste Fund
November 13, 2012
Page 3 of 4

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, 2010 (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, 2010 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 2012 audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 over financial reporting; and complying with laws, regulations, and contracts applicable to the Fund.

Auditors' Responsibilities. Our responsibility is to express an opinion on the fiscal year 2012 and 2011 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:



U.S. Department of Energy's
Nuclear Waste Fund
November 13, 2012
Page 4 of 4

- 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 2012 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. 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 2012 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 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 13, 2012

UNITED STATES DEPARTMENT OF ENERGY

NUCLEAR WASTE FUND

Balance Sheets

As of September 30, 2012 and 2011

(Dollars in thousands)

	FY 2012	FY 2011
ASSETS		
Intragovernmental:		
Fund Balance with Treasury ^(Note 3)	\$ 30,312	\$ 42,688
Investments and Related Interest, Net ^(Note 4)	28,771,125	26,728,279
Accounts Receivable:		
Utilities ^(Note 5)	13,433	13,439
Other Assets	280	772
Total Intragovernmental Assets	<u>28,815,150</u>	<u>26,785,178</u>
Accounts Receivable:		
Utilities ^(Note 5)	3,241,948	3,246,550
Prepaid Pension Asset, Net	2,485	1,653
General Property, Plant, and Equipment, Net ^(Note 6)	379	461
Other Assets	-	2
Total Assets	<u>\$ 32,059,962</u>	<u>\$ 30,033,844</u>
LIABILITIES		
Intragovernmental: ^(Note 8)		
Accounts Payable	\$ 942	\$ 854
Deferred Revenue ^(Notes 7 and 10)	628,921	622,801
Other Liabilities	199	199
Total Intragovernmental Liabilities	630,062	623,854
Accounts Payable	564	3,534
Deferred Revenue ^(Note 10)	31,401,290	29,367,286
Pension and Other Actuarial Liabilities, Net	423	524
Other Liabilities	6	26
Commitments and Contingencies ^(Note 9)	19,732,972	19,112,937
Total Liabilities ^(Note 8)	<u>51,765,317</u>	<u>49,108,161</u>
NET POSITION		
Unexpended Appropriations - Other Funds	27,617	38,620
Cumulative Results of Operations - Other Funds	(19,732,972)	(19,112,937)
Total Net Position	<u>(19,705,355)</u>	<u>(19,074,317)</u>
Total Liabilities and Net Position	<u>\$ 32,059,962</u>	<u>\$ 30,033,844</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, 2012 and 2011
(Dollars in thousands)

	FY 2012	FY 2011
First Repository Costs	\$ 3,957	\$ 11,675
All Other Program Costs:		
Program Support	9,861	21,075
Transfers of Appropriations ^(Note 7)	3,400	13,863
Waste Acceptance, Storage and Transportation	4,610	5,631
Total All Other Program Costs	17,871	40,569
Total First Repository and Other Program Costs	21,828	52,244
Less Earned Revenues ^(Note 10)	(21,828)	(52,244)
Net First Repository Costs & Other Program Costs	-	-
Estimated liability for waste acceptance obligations	1,586,197	4,529,283
Net Cost of Operations	\$ 1,586,197	\$ 4,529,283

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, 2012 and 2011
(Dollars in thousands)

	FY 2012	FY 2011
CUMULATIVE RESULTS OF OPERATIONS		
Beginning Balance	\$ (19,112,937)	\$ (15,382,186)
Other Financing Sources (Non-Exchange):		
Imputed Financing from Costs Absorbed by Others	<u>966,162</u>	<u>798,532</u>
Total Other Financing Sources	966,162	798,532
Net Cost of Operations	<u>(1,586,197)</u>	<u>(4,529,283)</u>
Net Change	<u>(620,035)</u>	<u>(3,730,751)</u>
Ending Balance - Cumulative Results of Operations	<u>\$ (19,732,972)</u>	<u>\$ (19,112,937)</u>
UNEXPENDED APPROPRIATIONS		
Beginning Balance	\$ 38,620	\$ 61,431
Budgetary Financing Sources Related to Appropriations:		
Appropriations Received ^(Note 2)	-	-
Appropriations Used	<u>(11,003)</u>	<u>(22,811)</u>
Total Budgetary Financing Sources Related to Appropriations	<u>(11,003)</u>	<u>(22,811)</u>
Ending Balance Unexpended Appropriations	<u>27,617</u>	<u>38,620</u>
Total Net Position	<u>\$ (19,705,355)</u>	<u>\$ (19,074,317)</u>

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, 2012 and 2011
(Dollars in thousands)

	FY 2012	FY 2011
BUDGETARY RESOURCES		
Unobligated Balance, Brought Forward, October 1	\$ 24,409	\$ 54,715
Recoveries of Prior Year Unpaid Obligations	14	523
Unobligated Balance from Prior Year Budget Authority, net	24,423	55,238
Appropriations ^(Note 2)	-	(2,800)
Total Budgetary Resources	<u>\$ 24,423</u>	<u>\$ 52,438</u>
STATUS OF BUDGETARY RESOURCES		
Obligations Incurred ^(Note 12)	\$ 6,970	\$ 28,029
Unobligated Balance, End of Year:		
Apportioned	9,317	10,191
Exempt from Apportionment	8,136	14,218
Total Unobligated Balance, End of Year	<u>17,453</u>	<u>24,409</u>
Total Budgetary Resources	<u>\$ 24,423</u>	<u>\$ 52,438</u>
CHANGE IN OBLIGATED BALANCE		
Unpaid Obligations, Brought Forward, October 1	\$ 52,560	\$ 80,387
Obligations Incurred	6,970	28,029
Outlays (Gross)	(21,686)	(55,333)
Recoveries of Prior Year Unpaid Obligations	(14)	(523)
Obligated Balance, End of Year (Net)	<u>\$ 37,830</u>	<u>\$ 52,560</u>
NET OUTLAYS		
Outlays, Gross	\$ 21,686	\$ 55,333
Distributed Offsetting Receipts	(2,061,968)	(2,141,453)
Outlays, Net	<u>\$ (2,040,282)</u>	<u>\$ (2,086,120)</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, 2012 and September 30, 2011

(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 or DOE). 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 submitted a final report in January 2012 with their recommendations on these issues for consideration by the Administration and Congress, as well as interested state, tribal and local governments, other stakeholders, and the public. 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, 2012 and September 30, 2011

(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 2012 and 2011, Congress appropriated \$0 from the Defense Nuclear Waste Disposal Appropriation to be used for nuclear waste disposal activities.
- For fiscal years 2012 and 2011, Congress authorized \$0 to be used for nuclear waste disposal activities and remain available until expended.

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, 2012 and September 30, 2011

(Dollars in thousands unless otherwise noted)

(2) Significant Accounting Policies (continued)

Imputed Financing Sources – In certain instances, costs of the NWF are paid out of funds appropriated to other federal agencies. For example, payments under the terms of settlements and judgments are paid by the U.S. Treasury Judgment Fund (Judgment Fund). When costs directly attributable to NWF's operations are paid by other agencies, NWF recognizes these amounts in 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, 2012 or 2011, 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.

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, 2012 and 2011, 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.

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

Notes to Financial Statements
September 30, 2012 and September 30, 2011

(Dollars in thousands unless otherwise noted)

(2) Significant Accounting Policies (continued)

Retirement Plans – 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.

Use of Estimates – The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Significant items subject to such estimates and assumptions include accounts receivable, estimated lives of general property, plant, and equipment and commitments and contingencies.

Comparative Data – In FY 2012, changes to the presentation of the Statement of Budgetary Resources were made, in accordance with guidance provided in OMB Circular A-136 and as such, activity and balances reported on the FY 2011 Statement of Budgetary Resources have been reclassified to conform to the presentation in the current year. Certain other prior year amounts have also been reclassified to conform to the current year presentation.

(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, 2012 and 2011 are as follows:

As of September 30, 2012	Appropriated		
	Funds	Special Funds	Total
Unobligated budgetary resources			
Available	\$ 9,317	\$ 8,136	\$ 17,453
Obligated balance not yet disbursed			
Undelivered orders	18,299	17,819	36,118
Accounts payable and deposit fund liabilities	1,221	491	1,712
Budgetary resources invested in Treasury securit	-	(24,971)	(24,971)
Total FY 2012 Fund Balance with Treasury	\$ 28,837	\$ 1,475	\$ 30,312

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 securit	-	(34,281)	(34,281)
Total FY 2011 Fund Balance with Treasury	\$ 40,978	\$ 1,710	\$ 42,688

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

Notes to Financial Statements
September 30, 2012 and September 30, 2011

(Dollars in thousands unless otherwise noted)

(4) Investments and Related Interest, Net

For the year ended September 30, 2012, the NWF received proceeds and realized gains from the redemption of securities of \$460,000 and \$0, respectively. For the fiscal year ended September 30, 2011 NWF received proceeds and realized gains from the redemption of securities of \$881,963 and \$0, respectively.

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

	FY 2012	FY 2011
Intragovernmental Non-Marketable Market Based:		
Face Value	\$ 49,552,478	\$ 48,610,652
Unamortized discount, net	(20,856,023)	(21,936,844)
Investments, net	28,696,455	26,673,808
Interest receivable	74,670	54,471
Investments and related interest, net	28,771,125	26,728,279
Unrealized market gains, net	9,969,441	8,414,650
Investments at fair value	\$ 38,740,566	\$ 35,142,929

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

(5) 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

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

Notes to Financial Statements
September 30, 2012 and September 30, 2011

(Dollars in thousands unless otherwise noted)

(5) Receivables Due from Utilities (continued)

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.

In fiscal year 2012, there were no payments or adjustments of one-time spent fuel fees by owners and generators of civilian SNF and HLW. In fiscal year 2011, payments of \$163,102 one-time spent fuel fees and interest were received.

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

	FY 2012	FY 2011
Accounts receivable:		
Accounts receivable - intragovernmental utilities		
Kilowatt hour fees	\$ 13,433	\$ 13,439
Accounts receivable - public utilities		
Kilowatt hour fees	161,114	167,568
One-time spent nuclear fuel fees:		
Accounts receivable - one-time spent nuclear fuel fees		
Option (1)	144,273	144,273
Option (2)	692,672	692,672
Total accounts receivable one-time spent nuclear fuel fees	836,945	836,945
Accrued interest on one-time spent nuclear fuel fees:		
Option (1)	385,393	385,112
Option (2)	1,858,496	1,856,925
Total accrued interest on one-time spent nuclear fuel fees	2,243,889	2,242,037
Total accounts receivable - public utilities	3,241,948	3,246,550
Total accounts receivable - utilities	\$ 3,255,381	\$ 3,259,989

6) General Property, Plant, and Equipment, Net

General property, plant, and equipment and related accumulated depreciation consisted of the following as of September 30, 2012 and 2011:

	FY 2012	FY 2011
General property, plant, and equipment	\$ 24,567	\$ 26,919
Less accumulated depreciation	(24,188)	(26,458)
General property, plant, and equipment, net	\$ 379	\$ 461

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

Notes to Financial Statements
September 30, 2012 and September 30, 2011

(Dollars in thousands unless otherwise noted)

(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, 2012 and 2011, NWF owed other Federal Government agencies \$942 and \$854, respectively, for services and costs provided to NWF. For the fiscal years ended September 30, 2012 and 2011, NWF incurred costs of \$6,105 and \$5,781, respectively, for services and goods 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 2012	FY 2011
Nuclear Regulatory Commission	\$ -	\$ 9,980
Nuclear Waste Technical Review Board	3,400	3,883
	\$ 3,400	\$ 13,863

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, 2012 and 2011.

The Department's Defense Waste total cost share as of September 30, 2012 is estimated to be \$2,440,473 and interest amounting to \$672,737 based on the methodology published in the Federal Register in August 1987. As of September 30, 2012 and 2011, \$628,921 and \$622,801, 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
NUCLEAR WASTE FUND**

Notes to Financial Statements
September 30, 2012 and September 30, 2011

(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, 2012 and 2011 is as follows:

	FY 2012	FY 2011
Liabilities not covered by budgetary resources:		
Intragovernmental		
Deferred revenue (Note 10)	\$ 628,921	\$ 622,801
Non-Intragovernmental		
Deferred revenue (Note 10)	31,401,290	29,367,286
Pension and other actuarial liabilities, net	423	524
Other liabilities	-	18
Commitments and contingencies (Note 9)	19,732,972	19,112,937
Total liabilities not covered by budgetary resources	<u>51,763,606</u>	<u>49,103,566</u>
Liabilities covered by budgetary resources:		
Intragovernmental		
Accounts payable	942	854
Other liabilities	199	199
Non-Intragovernmental		
Accounts payable	564	3,534
Other liabilities	6	8
Total liabilities covered by budgetary resources	<u>1,711</u>	<u>4,595</u>
Total Liabilities	<u>\$ 51,765,317</u>	<u>\$ 49,108,161</u>

(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 (standard contracts) 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, 31 suits have been settled involving utilities that collectively produce about 76 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 \$1.92 billion as of September 30, 2012 to the settling utilities for delay damages they have incurred through September 30, 2012. In addition, sixteen cases have been resolved by final judgments. Six of those cases resulted in an award of no damages by the trial court and the remaining ten cases resulted in a total of \$687.8 million in damages, which has been paid by the Judgment Fund as of September 30, 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.

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

Notes to Financial Statements
September 30, 2012 and September 30, 2011

(Dollars in thousands unless otherwise noted)

(9) Commitments and Contingencies (continued)

Twenty-seven 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 55 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 \$22.3 billion. After deducting the amount paid as of September 30, 2012, under these settlements and as a result of final judgments, a total of \$2.6 billion, the remaining liability is estimated to be approximately \$19.7 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 Administration determined Yucca Mountain was not a workable solution 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.

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

Notes to Financial Statements
September 30, 2012 and September 30, 2011

(Dollars in thousands unless otherwise noted)

(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 as of September 30, 2012 and 2011 was as follows:

	FY 2012	FY 2011
Intragovernmental		
Fees billed:		
One-time spent nuclear fuel fees:		
kWh fees	\$ 52,955	\$ 47,312
Defense high-level waste fees	11,003	22,811
Interest:		
Income on investments	1,302,407	1,292,771
Non-intragovernmental		
Fees billed:		
kWh fees	692,857	703,784
Interest:		
One-time spent nuclear fuel fees	1,852	3,283
Other revenue	878	-
Total revenues	<u>2,061,952</u>	<u>2,069,961</u>
Less earned revenue	<u>(21,828)</u>	<u>(52,244)</u>
Change in deferred revenue	2,040,124	2,017,717
Deferred revenue - beginning balance	<u>29,990,087</u>	<u>27,972,370</u>
Deferred revenue - ending balance	<u>\$ 32,030,211</u>	<u>\$ 29,990,087</u>

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

Notes to Financial Statements
September 30, 2012 and September 30, 2011

(Dollars in thousands unless otherwise noted)

(11) Earmarked Funds

	Earmarked Funds	All Other Funds	FY 2012	Earmarked Funds	All Other Funds	FY 2011
Balance Sheet						
Assets						
Fund Balance with Treasury	\$ 1,475	\$ 28,837	\$ 30,312	\$ 1,710	\$ 40,978	\$ 42,688
Investments, Net	28,771,125	-	28,771,125	26,728,279	-	26,728,279
Accounts Receivable	3,255,381	-	3,255,381	3,259,989	-	3,259,989
Prepaid Pension Asset, Net	2,485	-	2,485	1,653	-	1,653
General Property, Plant, and Equipment, Net	187	192	379	210	251	461
Other Assets	280	-	280	774	-	774
Total Assets	\$ 32,030,933	\$ 29,029	\$ 32,059,962	\$ 29,992,615	\$ 41,229	\$ 30,033,844
Liabilities and Net Position						
Accounts Payable	\$ 286	\$ 1,220	\$ 1,506	\$ 2,030	\$ 2,358	\$ 4,388
Deferred Revenue	32,030,019	192	32,030,211	29,989,836	251	29,990,087
Pension and Other Actuarial Liabilities	423	-	423	524	-	524
Other Liabilities	205	-	205	225	-	225
Commitments and Contingencies	-	19,732,972	19,732,972	-	19,112,937	19,112,937
Unexpended Appropriations	-	27,617	27,617	-	38,620	38,620
Cumulative Results of Operations	-	(19,732,972)	(19,732,972)	-	(19,112,937)	(19,112,937)
Total Liabilities and Net Position	\$ 32,030,933	\$ 29,029	\$ 32,059,962	\$ 29,992,615	\$ 41,229	\$ 30,033,844
Statement of Net Costs						
Total First Repository and Other Program Costs	\$ 10,766	\$ 11,062	\$ 21,828	\$ 29,369	\$ 22,875	\$ 52,244
Less Earned Revenues	(10,766)	(11,062)	(21,828)	(29,369)	(22,875)	(52,244)
Net First Repository Costs	-	-	-	-	-	-
Estimated liability for waste acceptance obligations	-	1,586,197	1,586,197	-	4,529,283	4,529,283
Net cost of operations	\$ -	\$ 1,586,197	\$ 1,586,197	\$ -	\$ 4,529,283	\$ 4,529,283
Statement of Changes in Net Position						
Beginning Balance - Cumulative Results of Operations	\$ -	\$ (19,112,937)	\$ (19,112,937)	\$ -	\$ (15,382,186)	\$ (15,382,186)
Imputed Financing from Costs Absorbed by Others	-	966,162	966,162	-	798,532	798,532
Net Cost of Operations	-	(1,586,197)	(1,586,197)	-	(4,529,283)	(4,529,283)
Ending Balance - Cumulative Results of Operations	\$ -	\$ (19,732,972)	\$ (19,732,972)	\$ -	\$ (19,112,937)	\$ (19,112,937)
Beginning Balance - Unexpended Appropriations	\$ -	\$ 38,620	\$ 38,620	\$ -	\$ 61,431	\$ 61,431
Appropriations Received	-	-	-	-	-	-
Appropriations Used	-	(11,003)	(11,003)	-	(22,811)	(22,811)
Ending Balance - Unexpended Appropriations	-	27,617	27,617	-	38,620	38,620
Total Net Position	\$ -	\$ (19,705,355)	\$ (19,705,355)	\$ -	\$ (19,074,317)	\$ (19,074,317)

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, 2011. 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, 2012 is not presented, because the submission of the FY 2014 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 2013.

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

Notes to Financial Statements
September 30, 2012 and September 30, 2011

(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 2012	FY 2011
RESOURCES USED TO FINANCE ACTIVITIES:		
Budgetary Resources Obligated:		
Obligations Incurred	\$ 6,970	\$ 28,029
Less: Spending Authority from Offsetting Collections and Recoveries	<u>(14)</u>	<u>(523)</u>
Obligations, Net of Offsetting Collections and Recoveries	<u>6,956</u>	<u>27,506</u>
Offsetting Receipts:		
Fees for Disposal of Spent Nuclear Fuel	(752,269)	(795,062)
Earnings on Investments	<u>(1,309,699)</u>	<u>(1,346,391)</u>
Total Offsetting Receipts	<u>(2,061,968)</u>	<u>(2,141,453)</u>
Net Obligations	<u>(2,055,012)</u>	<u>(2,113,947)</u>
Other Resources:		
Imputed Financing from Costs Absorbed by Others	966,162	798,532
Other:		
Offsetting Receipts, Deferred	2,862,656	3,243,378
Adjustment for Department of Energy Appropriation	<u>(11,003)</u>	<u>(22,811)</u>
Total Other	<u>2,851,653</u>	<u>3,220,567</u>
Net Other Resources Used to Finance Activities	<u>3,817,815</u>	<u>4,019,099</u>
Total Resources Used to Finance Activities	<u>\$ 1,762,803</u>	<u>\$ 1,905,152</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	\$ 12,355	\$ 23,058
Resources that Finance the Acquisition of Assets	<u>-</u>	<u>59</u>
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	<u>12,355</u>	<u>23,117</u>
Total Resources Used to Finance the Net Cost of Operations	<u>\$ 1,775,158</u>	<u>\$ 1,928,269</u>
NET COST ITEMS THAT DO NOT REQUIRE OR GENERATE RESOURCES IN CURRENT PERIOD:		
Increases in Unfunded Liability Estimates	\$ 619,084	\$ 3,718,395
Components Not Requiring or Generating Resources:		
Depreciation and Amortization	(763,963)	(1,024,447)
Revaluation of Assets and Liabilities	(876)	
Other	<u>(43,206)</u>	<u>(92,934)</u>
Total Components Not Requiring or Generating Resources	<u>(808,045)</u>	<u>(1,117,381)</u>
Total Net Cost Items That Do Not Require or Generate Resources in Current Period	<u>(188,961)</u>	<u>2,601,014</u>
NET COST OF OPERATIONS	<u><u>\$ 1,586,197</u></u>	<u><u>\$ 4,529,283</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, 2012 – (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:

	Direct Cost	Depreciation & Other Managerial Cost	Total Cost
FY 2012 APPLIED			
Environmental Quality	\$0	\$0	\$0
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

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

Supplementary Information - Schedule I
Schedule of Cumulative Net First and Second Repository Costs for the
Thirty Years Ended September 30, 2012

(Dollars in thousands unless otherwise noted)

First Repository Costs	<u>\$ 7,502,404</u>
All Other Program Costs:	
Program Support	2,172,964
Transfers of Appropriations	656,897
Waste Acceptance, Storage and Transportation	766,758
Imputed and Other Costs	<u>152,506</u>
Total All Other Program Costs	<u>3,749,125</u>
Second Repository Costs	<u>108,896</u>
Total First and Second Repository Costs and Other Program Costs	11,360,425
Less Earned Revenue	<u>(11,341,889)</u>
Cumulative Net First and Second Repository Costs	<u><u>\$ 18,536</u></u>

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

Supplementary Information - Schedule II
Schedule of Cumulative Revenues and Deferred Revenue as of and for the
Thirty Years Ended September 30, 2012

(Dollars in thousands unless otherwise noted)

Intragovernmental:	
Fees billed:	
kWh fees	\$ 915,347
One-time spent nuclear fuel fees	174,598
Defense high-level waste fees	3,742,187
Interest:	
Income on investments	16,075,098
Non-intragovernmental:	
Fees billed:	
kWh fees:	17,190,455
One-time spent nuclear fuel fees	2,174,802
Interest:	
One-time spent nuclear fuel fees	2,392,485
Other revenue	<u>707,128</u>
Total revenues	43,372,100
Less earned revenue	<u>(11,341,889)</u>
Deferred revenue	<u><u>\$ 32,030,211</u></u>

CUSTOMER RESPONSE FORM

The Office of Inspector General has a continuing interest in improving the usefulness of its products. We wish to make our reports as responsive as possible to our customers' requirements, and, therefore, ask that you consider sharing your thoughts with us. On the back of this form, you may suggest improvements to enhance the effectiveness of future reports. Please include answers to the following questions if applicable to you:

1. What additional background information about the selection, scheduling, scope, or procedures of the inspection would have been helpful to the reader in understanding this report?
2. What additional information related to findings and recommendations could have been included in the report to assist management in implementing corrective actions?
3. What format, stylistic, or organizational changes might have made this report's overall message more clear to the reader?
4. What additional actions could the Office of Inspector General have taken on the issues discussed in this report that would have been helpful?
5. Please include your name and telephone number so that we may contact you should we have any questions about your comments.

Name _____ Date _____

Telephone _____ Organization _____

When you have completed this form, you may telefax it to the Office of Inspector General at (202) 586-0948, or you may mail it to:

Office of Inspector General (IG-1)
Department of Energy
Washington, DC 20585

ATTN: Customer Relations

If you wish to discuss this report or your comments with a staff member of the Office of Inspector General, please contact our office at (202) 253-2162.

This page intentionally left blank.

The Office of Inspector General wants to make the distribution of its reports as customer friendly and cost effective as possible. Therefore, this report will be available electronically through the Internet at the following address:

U.S. Department of Energy Office of Inspector General Home Page
<http://energy.gov/ig>

Your comments would be appreciated and can be provided on the Customer Response Form.